

World steel

The good times roll again
Page 13

Dwindling harvest

Why the world needs fish farmers
Environment, Page 10

Civil society

The state and the citizen
Edward Mortimer, Page 12

Japanese dilemma

Extremism amid conformity
Page 6

World Business Newspaper

WEDNESDAY MARCH 22 1995

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Dini wins crucial confidence vote over mini-budget



Italian prime minister Romano Prodi (left) won a confidence vote in the Senate last night to push through his deficit-cutting package. Dini had linked the survival of his two-month-old government to the fiscal measures, warning critics they risked driving Italy to an unprecedented financial crisis.

Mr Dini's victory came as Italy's annual inflation rate was reported at close to 5 per cent, double the official forecast for 1995. The rate reflects the impact of the lira's devaluation and tax increases introduced as part of the mini-budget. Page 14; Dini curbs media coverage, Page 2

Kmart chief quits: Joseph Antonini, president and chief executive of Kmart, the ailing US discount store group, has resigned. The news was greeted warmly by Kmart's shareholders and the company's shares rose. Page 15

US urged to support dollar: France and Germany urged the US to take action to support the dollar, which fell to a new low against the Japanese yen in European trading yesterday. Page 14

Major poised for backing on CAP reforms: The UK government of John Major was poised briefly to restore its technical majority in the House of Commons as MPs prepared to back the cabinet's approach to reform of the European Union's common agricultural policy. Page 14; PM seeks to avoid gaffes, Page 9; Editorial Comment, Page 13

Banks attack Crédit Lyonnais rescue: The rescue plan for Crédit Lyonnais, the loss-making state-controlled bank, came under strong attack from two of its leading competitors, Banque Nationale de Paris and Société Générale released a statement questioning the competitive consequences of the state-backed rescue for the bank unveiled last Friday. Page 15; Lex, Page 14

Bayer, the German chemical group, said it may be forced to move 10 per cent of its production capacity to other countries because of higher energy prices, taxes and labour costs. Page 15; Lex, Page 14

Prudential Corporation, the UK's largest life insurer, admitted it had set aside provisions to deal with possible compensation payments to the victims of poor pensions advice. Page 15; Lex, Page 22

United Airlines bans smoking: United Airlines, the second-largest US carrier, is banning smoking on all its flights to and from London's Heathrow Airport from May 1. Small step towards an "open sky", Page 5

Fighting overshadows Russia-US summit: Renewed fighting in both Bosnia and Chechnya has clouded the atmosphere for today's meeting in Geneva at which the US and Russia will be struggling to patch up their differences over European security and arms control issues. Page 2

Turkey continues attack on Kurds: Turkish forces continued their attacks on Kurdish rebel camps inside northern Iraq. The Turkish military said at least 24 members of the Kurdistan Workers' party had been killed. Page 3

French construction group searched: Police searched the headquarters of French construction group Bouygues as part of an investigation into alleged false billing in the Paris region.

US Senate set to vote on compromise: The US Senate will probably vote this week on a compromise bill to give president Bill Clinton new powers to strike out specific spending proposals without sacrificing an entire piece of legislation. Page 4

Lloyd's faces safety prosecution: Lloyd's Register, the 255-year-old organisation which vets the quality of much of the world's shipping, faces its first criminal prosecution over alleged breaches of health and safety law following the collapse of a passenger walkway at the port of Ramsgate in south-east England last September. Page 9

Bhutto in anti-crime drive: Pakistani prime minister Benazir Bhutto sought to set the tone for her visit to the US next month by calling for international help to stem a growing tide of lawlessness. Page 6

Orimulsion sales drive: Bitor Europe, sole European distributor of Orimulsion, the controversial fuel, announced plans for a sevenfold increase in sales by the end of the century with most of the growth expected in the UK. Page 9

STOCK MARKET INDICES			
New York: DJIA	4206.12	(+12.45)	
NASDAQ Composite	812.55	(+2.07)	
Europe and Far East			
CAC40	1813.78	(+2.21)	
DAX	1982.25	(+1.80)	
FTSE 100	3185.0	(+10.8)	
Nikkei			
US LUNCHTIME RATES			
3-month Treasury bill	5.91%		
Long Bond	7.35%		
Yield			
OTHER RATES			
UK 3-mo Interbank	5.5%	(63.14)	
UK 10 yr Gilt	10.0%	(100.0)	
France 10 yr Gilt	6.5%	(65.12)	
Germany 10 yr Bund	10.1%	(101.61)	
Japan 10 yr JGB	10.4%	(104.41)	
NORTH SEA OIL (Aquis)			
Brent 15-day May	\$16.75		
Austria	S\$105	0.00	0.00
Belgium	D\$120	0.00	0.00
Denmark	D\$120	0.00	0.00
France	F\$120	0.00	0.00
Germany	M\$120	0.00	0.00
Greece	G\$120	0.00	0.00
Italy	L\$120	0.00	0.00
Japan	Y\$120	0.00	0.00
Netherlands	D\$120	0.00	0.00
Portugal	P\$120	0.00	0.00
Spain	P\$120	0.00	0.00
Sweden	S\$120	0.00	0.00
Switzerland	S\$120	0.00	0.00
Turkey	T\$120	0.00	0.00
UK	£120	0.00	0.00
USA	\$120	0.00	0.00

Bank of England deputy head quits over affair

By Robert Peston, Political Editor, in London

The deputy governor of the Bank of England, Mr Rupert Pennant-Rea, resigned yesterday to save the bank further discomfort following weekend press disclosures about his three-year affair with a journalist, Ms Mary Ellen Synn.

The resignation, which shocked the bank and the City of London, followed Mr Pennant-Rea's concern that his authority had been undermined by allegations that he had breached security procedures by smuggling Ms Synn into the bank under an assumed name.

Mr Pennant-Rea's departure follows a string of resignations among ministers of the ruling Tory party during the past two years. The most recent was that of Mr Robert Hughes, the public services minister, who resigned a few weeks ago after admitting adultery.

Mr Pennant-Rea's decision followed an earlier declaration on Sunday that both he and Mr Eddie George, the bank's governor, were satisfied that he remained able to function effectively as deputy governor.

Despite official denials, there will inevitably be speculation that pressure from the office of Mr John Major, the prime minister, caused him to change his mind.

A replacement for Mr Pennant-Rea has not been found, and there is no single front-runner for the job among the bank's senior directors. Contenders are likely

to include Mr Pen Kent and Mr Ian Plenderleith, both executive directors.

There was speculation at Westminster last night that a candidate is Baroness Hogg, the former journalist who recently stepped down as head of the prime minister's policy unit and who was partly responsible for Mr Pennant-Rea's appointment to the bank at the beginning of 1993.

Treasury and bank officials were sceptical of this suggestion.

In his resignation letter to Mr Kenneth Clarke, the chancellor of the exchequer, Mr Pennant-Rea wrote: "I want to avoid the possibility of the bank being damaged by some foolish mistakes I made, albeit more than a year ago."

Mr Clarke said he was "very sorry indeed" that Mr Pennant-Rea had decided to go. "I am particularly grateful for the hard and effective work that you put into the Barings crisis," he said.

Mr Pennant-Rea also launched an attack on newspapers which had publicised his affair: "I do know that many good people in the commercial world are put off by the tabloid intrusion in the private lives of those in public positions," he wrote. "After the events of the past few days, this reluctance to move [from the private sector to the public sector] will increase."

Bank and Treasury officials said last night that pressure had not been put on Mr Pennant-Rea to resign.

Continued on Page 14

Top Fiat man set to head world trade body

Washington decides not to block Ruggiero appointment

By Frances Williams in Geneva, John Burton in Seoul and Nancy Durne in Washington

Mr Renato Ruggiero, a senior executive of Fiat and former Italian trade minister, is poised to become the next head of the World Trade Organisation following Washington's decision not to block his appointment and the withdrawal of opposing candidates.

The US move ends nine months of bitter campaigning that has set the world trade superpowers, the US and the European Union, at loggerheads and threatened to undermine the credibility of the fledgling trade body.

Mr Mickey Kantor, the US trade representative, announced US support for Mr Ruggiero after a meeting with him yesterday morning.

The US administration, which had previously expressed strong reservations about Mr Ruggiero, then said it would support Mr Ruggiero "subject to certain conditions".

"This matter unfortunately became a hemispheric contest, the antipathy of consensus," Mr Kantor said. "We are all agreed it should not work this way in the future." Under a deal hammered out between the US and EU - which EU officials insist is no more than an informal understanding - Mr Ruggiero, who is almost 65, will serve a single four-year term and will be succeeded by a non-European.

More controversially, Mr Kim Chul-su of South Korea, the other official candidate, was persuaded to withdraw his candidacy yesterday after the US, with EU agreement, proposed he be made Mr Ruggiero's deputy. If approved, this would make Mr Kim the highest-ranking Korean in any international organisation.

Washington had backed Mr Carlos Salinas de Gortari, former Mexican president, for the WTO post, but he was forced to drop out of the race this month following the Mexican financial crisis and the arrest of his brother Raul in connection with a high-level political assassination.

To the fury of the EU, US officials then said neither of the two remaining candidates were acceptable and that Mr Ruggiero was "protectionist", raising the prospect that the contest would have to start again with new candidates.

Although Mr Ruggiero had already built up a commanding lead among WTO members, including former Salinas support-

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Anger in Japan over apparent attempt to threaten social order

Police 'pinpoint gas attack suspects'

By William Dawkins in Tokyo

Japanese police yesterday said they had pinpointed possible suspects for Monday's nerve gas attack on the Tokyo subway, which left eight dead and nearly 5,000 injured.

As Tokyo struggled back to normal, newspaper and television reports demonstrated anger at what is being interpreted as a deliberate attempt to threaten Japan's prized social stability.

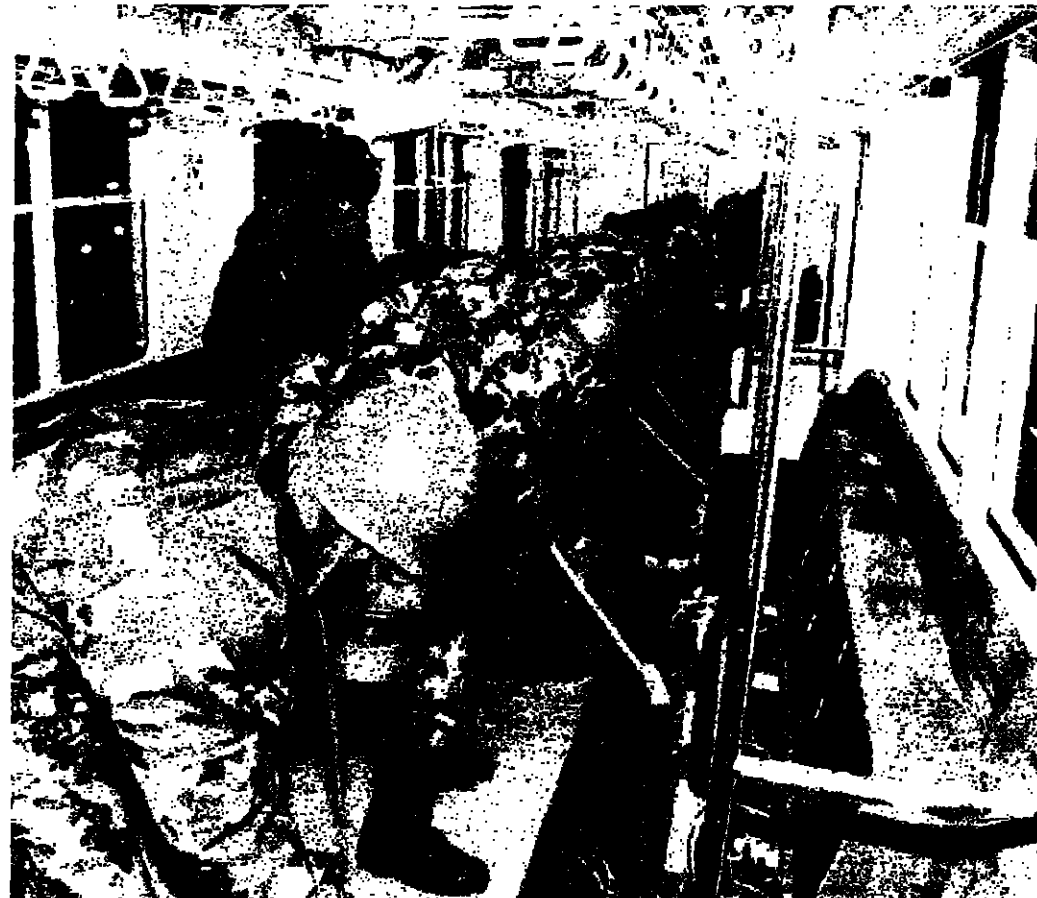
Police said they had 30 eyewitness accounts of at least five suspicious-looking people seen leaving packages on trains soon after 8am on Monday, the peak of the Tokyo rush hour. This supports the authorities' belief that the attack was the work of an organised group.

Police said they wanted to interview a man in his 30s, recovering in hospital after collapsing from the fumes. He is not believed to be a culprit, police said. Witnesses saw him kicking a package containing a glass bottle of foul-smelling liquid on to the platform at Kodenmacho station, on the Hibiya line in central Tokyo. He fled when questioned by a fellow passenger, but fainted after running a few yards.

A lawyer representing the fringe religious cult mentioned in Japanese media reports, Aum Shinri Kyo (Aum "Supreme Truth"), yesterday denied any involvement. The group, three of whose followers were recently arrested for alleged kidnapping, claimed it had been framed by the government.

Fears of copycat attacks in Japan and internationally spread yesterday. New York City's subway system was placed on anti-terrorism alert from Monday, and the South Korean government ordered security checks on all mass transport systems. Spain and Italy also tightened security in their cities.

The three Tokyo subway lines closed by the attack reopened yesterday after chemical warfare experts removed five canisters of the gas, believed to be sarin, a



Members of the Japanese army's chemical warfare unit decontaminate Tokyo underground carriages

nerve agent developed by Germany in the 1930s. But officials said traffic was 30 per cent below normal, even for yesterday's national holiday celebrating the first day of spring. Road traffic was also sparse.

On the Hibiya line, the worst hit, passenger traffic was 10 per cent of normal. The line still carried the smell of chemicals used to remove traces of sarin. Some of those affected by the fumes started to return home yesterday.

Of those who inhaled large doses two more, a train driver and a commuter, died yesterday, in addition to the six killed on Monday, while 75 people were in critical condition. Mr Ryuzo

Mikami, director of St Luke's International Hospital in Tokyo, said most victims would be released in the next few days, but serious cases risked having permanent damage to the nervous system, liver, lungs and eyes.

Attack that breaks the strongest taboo, Page 6

"I'm arriving tonight and I have no time to pack. How much do I have to bring?"



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NEWS: EUROPE



Mr Romano Prodi, Italy's prime minister, addressing the Italian Senate yesterday

Dini slaps curbs on media coverage during elections

By Robert Graham in Rome

What price the presidential signature on an urgent decree issued by the Italian government? Senators of the rightwing National Alliance yesterday put a question in parliament demanding to know whether it was true that a special military aircraft had flown a decree to Ankara, the Turkish capital, to obtain the signature of President Oscar Luigi Scalfaro, who is on an official visit there. The decree introduced extensive new controls on media coverage during elections in Italy. Though the question was deliberately provocative, it underlined the extent of unease over the haste with which Mr Romano Prodi, the prime minister, has gone about

securing operational measures covering such a sensitive aspect of national politics. The introduction of the measures on media coverage was one of the four tasks set by Mr Dini when he accepted his limited government mandate in January. This was an attempt to satisfy the concerns of parties in the centre and on the left about the advantage obtained by Mr Silvio Berlusconi, the previous prime minister, through his ownership of three commercial television channels and the placing of supporters to run the state broadcasting organisation. The first draft of the decree was shown to parliament in mid-February and was immediately dismissed as too complex. Mr Dini then gave the politicians until March 10 to come

up with their own solution. However, parliament became side-tracked in a battle over the government's mini-budget. Faced with such inactivity and regional elections on April 23, Mr Dini sent a revised version of the proposal as a decree for signature to President Scalfaro late on Monday. This has immediate effect but must be approved subsequently by parliament. It imposes a ban on all propaganda slots on television 30 days before the elections. This has been the most controversial aspect and contested vigorously by the Berlusconi camp who argue the ban is unnecessarily severe. Another controversial aspect is the tight controls placed upon talk shows, an important feature of all Italian television

channels. The hosts must follow strict guidelines of impartiality or face stiff sanctions. The main novelty is the theoretically rapid imposition of sanctions. Instead of taking months, the chairman of the media watchdog commission can impose fines and order rebalancing of programmes within four days. Complaints will be settled within 48 hours. In general, the political parties have accepted that the present measures are temporary and the debate in parliament will focus on the broader problem of the political control of television. Here there are signs that both the Berlusconi camp and his opponents are sending feelers to establish a consensus prior to the general election which is likely to be held no later than the autumn.

EUROPEAN NEWS DIGEST

Turks keep up Kurd attacks

Turkish aircraft pounded Kurdish rebel camps along a 300km front inside north Iraq yesterday for a second day while ground forces advanced in pursuit of separatist guerrillas, the military said. Colonel Dogu Sahinoglu told a briefing in Diyarbakir, command centre for the operation involving up to 35,000 troops, that at least 24 members of the Kurdistan Workers' party (PKK) had been killed. Eight soldiers were also dead. The casualty figure contrasted sharply with one of 200 PKK rebels being killed, with no Turkish casualties, which had been given earlier by Mr Mehmet Gulhan, defence minister. *Reuter, Diyarbakir, Turkey*

Mr Onur Oymen, Turkey's ambassador to Germany, yesterday held talks with the German interior ministry in a bid to halt the wave of arson attacks against Turkish banks, cultural centres, newspapers and mosques. The meeting followed firebombings earlier in the day of the Hürriyet daily newspaper in Berlin, and banks in Cologne and Gelsenkirchen in the Ruhr district. The interior ministry has blamed Kurdish militants. However, the attacks coincide with a decision by Mr Manfred Kanther, the interior minister, to deport Kurdish militants based in Germany. Several states governed by the Social Democratic party have said they will not implement the decision, for humanitarian reasons. *Judy Dempsey, Bonn*

Both sides think they will be able to dictate the terms of peace, writes Laura Silber

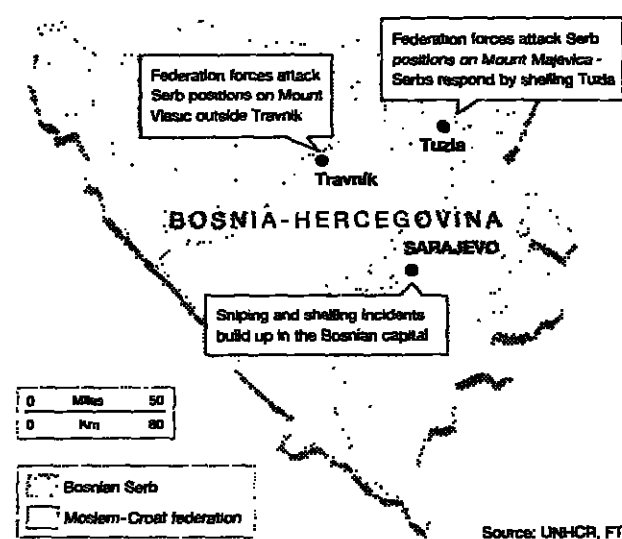
Bosnian rivals see no alternative to war

The outbreak of fighting between Bosnian Serbs and Muslims this week signals that the two sides are convinced that, without progress toward a negotiated settlement, war is the way forward. Military commanders have in any case hoisted how they used the 11 weeks since the ceasefire went into effect to prepare for more war. The Muslim-led Bosnian government wants to destroy the myth of Serb invincibility on the battlefield while Bosnian Serb leaders reckon they will get a better deal once western countries realise that they are the winners. An unexpected snowstorm slowed the fighting yesterday, which shattered a country-wide ceasefire. "The activities were a serious body blow to the cessation of hostilities agreement," said Mr Chris Gunness, UN spokesman. Bosnian Serb and government forces clashed for the second day running near Tuzla, the government stronghold in north eastern Bosnia. Casualty figures were not available. On Monday, 21 people were killed and 76 injured when a shell fired by Serb forces hit a Bosnian government army barracks in the centre of Tuzla, said Sarajevo radio. The Serb shelling was in response to a Muslim offensive on Mount Majevica, strategic heights near the Serb supply corridor which runs across northern Bosnia. In central Bosnia, Bosnian Serbs said government forces had advanced around the strategic

Mount Vlasica, north of Muslim-held Travnik. UN officials are aware of the helplessness of their position. Bosnian leaders have become increasingly hostile to the UN and less receptive to pressure. Mr Yasushi Akashi, UN special envoy to former Yugoslavia, last week left Sarajevo having failed to secure any agreement from the rival leaders to shore up the truce, much less to renew it when it expires on May 1. Mr Alain Juppé, the French foreign minister, yesterday appealed for the renewal of the ceasefire. After meeting Mr Andrei Kozirev, his Russian counterpart, who, along with France is part of the five-nation Contact Group, he predicted the war in Bosnia will intensify. Bosnian Serbs have rejected the Group's proposal which calls on them to hand over to

the Muslim-Croat federation a third of the 70 per cent of Bosnia they control. Mr Haris Silajdzic, the Bosnian prime minister, has said that the Serbs' refusal to accept the proposal leaves his army little choice but to resume fighting, fearing that to continue with a ceasefire will only cement Serb gains. Bosnian government commanders, whose troops are more numerous but more poorly armed, want to take advantage of the warm weather to launch offensives. Infantry can move more easily than artillery over Bosnia's mostly mountainous terrain especially under cover of spring greenery. The ceasefire also gave the government a chance to procure more arms. The assault was launched from Tuzla, last month the focus of UN allegations that C-130 cargo aircraft

Truce in trouble



were dropping weapons to the Muslim-led Bosnian army. In the event of a full-blown war, Mr Radovan Karadzic, the Bosnian Serb leader, would strengthen his grip on power. Seen from his viewpoint an escalation would weaken efforts by President Slobodan

Milosevic of Serbia to destabilise his former proxies in Bosnia. In a bid to marginalise his Bosnian Serb rivals, Mr Milosevic yesterday met with Mr Muhamed Filipovic, a Bosnian government envoy, in Belgrade. Any agreement between Belgrade and Sarajevo would further isolate the Bosnian Serb leadership. It also would put more pressure on the year-old Muslim-Croat federation. If the Bosnian government hopes to score any gains against the Serbs, they need their Croat allies to mount an advance on the northern corridor from Croatia. Failing a new diplomatic initiative, the arrival of spring makes more remote the chances for peace, Mr Gunness said. "We have no choice but, against all odds, to carry on hanging the peace drum even when the sound of mortars is drowning it out."

Despairing Juppé hopes Moscow and Washington will use their regional influence to salvage ceasefire

Mr Alain Juppé, French foreign minister, yesterday said he was "each day more convinced that we are going towards a resumption of fighting" in Bosnia, writes Edward Mortimer in Paris. After a meeting in Paris with his Russian counterpart, Mr Andrei Kozirev, he appealed to "whoever has influence" to do their utmost to save the crumbling ceasefire, an apparent hint to the US and Russia to use their influence on the Bosnian government and Serbs. Mr Juppé was speaking at the end of a conference at which the 52 member states of the Organisation for Security and Co-operation in Europe formally adopted a "stability pact",

intended to prevent Bosnia-type conflicts elsewhere in Europe by settling disputes and cementing good bilateral relations between neighbours. He described the pact as "the first great exercise in preventive diplomacy after the cold war". But, he stressed, the task remained unfinished. Bilateral talks on border and ethnic minority issues were continuing between Romania and Hungary, and Estonia and Russia. Beyond that, Mr Juppé said, "we must now reflect on whether the method can be extended to other geographical zones", including the Balkans. But in Bosnia and Croatia the immediate task was to stop the war.

Dublin strives to keep punt in front row

Ireland has battled harder than most to preserve its position among Europe's hard currencies, despite its links to the UK and the downward floating pound sterling. So far the struggle has succeeded, a testimony to Irish defiance summed up by Mr Ruairi Quinn, the new finance minister, whose crazy features suggest he has stepped straight out of the front-row of the national rugby team. Mr Quinn is a quick-witted advocate of the Irish cause and the wider European argument which suggests that external forces - notably the precipitate decline of the dollar - are chiefly to blame for the latest crisis inside the European exchange rate mechanism. Over breakfast yesterday, Mr Quinn spoke about EU ministerial discussions on the future of the ERM and various ideas floated to restore order to the international monetary system, such as co-ordinated inter-

Ireland's finance minister Ruairi Quinn talks to Lionel Barber about the recent currency turmoil

vention to support the dollar or adjust the D-Mark along the lines of the 1980s Plaza and Louvre accords. He said that at a meeting of EU finance ministers last Monday the consensus was that the dollar was nearing the end of its role as the world's global reserve currency. This was partly due to the end of the cold war and the US role as undisputed economic and military leader of the west. In the short term, ministers believed the US would not take any immediate action to prop up the dollar. With the presidential elections less than 18 months away, the consensus was that neither the administration nor Congress was likely to push for a reduction in budget deficits or a rise in interest rates.

Similarly, ministers agreed that it was unlikely that the Bundesbank would ease interest rates, despite hints by Mr Hans Tietmeyer, its president. The most important constraint was the recent inflationary public sector wage claims in Germany. "There is no quick fix," he concluded, "we have to tough it out." What else is to be done? Ireland's predicament is like that of other small countries whose economies are tied to bigger ones, such as Denmark and Austria to Germany, Portugal to Spain, and Canada to the US. "The small boats in the bay always know where the big boats are, the big boats never know," says Mr Quinn. "We can't change geography."

Yet Ireland has done better than most. Since it entered the then European Community in 1973, it has reduced the proportion of its trade with the UK from 80 per cent to 30 per cent, mostly indigenous food exports. Though these industries are jobs-intensive, the Irish intend to loosen progressively the umbilical cord with Britain. But Ireland also epitomises the European dilemma as the 15 member states strive to meet the targets set down by the Maastricht treaty for European monetary union. Though growth is expected to be high (6 per cent this year), it remains vulnerable to high unemployment (more than 17 per cent last month).

tough budgetary deficit and debt targets. Its inflation rate has averaged under 3 per cent, compared with the EU average of 4.5 per cent. Unemployment is high, "but we are no longer treading water". Ireland wants to convince the outside world its economic future is not wholly dependent on Britain. Yet it clearly hopes the UK will have second thoughts about not joining a single currency in 1999. The nightmare for Ireland is having one foot in a fixed exchange rate camp with the French and Germans, and the other in the UK running a floating exchange rate policy. No wonder Mr Quinn, like several of his EU colleagues, welcomed the assault of Mr Kenneth Clarke, UK Chancellor of the Exchequer, on British Euro-sceptics for undermining sterling and implicitly making the UK's chances of entering Emu more difficult.

Spaniards resume fishing

Spanish trawlers have resumed fishing in the disputed area of the north-west Atlantic where Canada seized a vessel earlier this month provoking a diplomatic dispute between Canada and the European Union. According to the Canadian fisheries department, the vessels were sighted on Monday evening and early yesterday morning on the "Nose" of the Grand Banks, just outside Canada's 200-mile fishing zone. The department said it was "monitoring the situation." Mr Brian Tobin, Canada's fisheries minister, last week warned that any vessels caught fishing Greenland halibut, also known as turbot, in this area faced the same enforcement action taken against the Spanish trawler Estel. The Estel was arrested and escorted to St John's, Newfoundland. It was released last week after its owners posted a C\$500,000 (US\$357,000) bond. Charges were laid against its captain, under Canada's fish conservation laws, and part of its cargo was confiscated. Spain, backed by other European Union members, disputes Canada's right to enforce its laws beyond the 200-mile limit. *Bernard Simon, Toronto*

Bonn coal decision strains the budget

By Judy Dempsey in Bonn

The decision by the German government and opposition to subsidise the coal industry from the budget has put the finance ministry's target of keeping the budget deficit under DM80bn (\$43bn) next year under renewed pressure. Under the terms of last week's agreement, the coal industry will receive DM7.5bn in subsidies next year and a further DM7bn in 1997 and 1998. However, a finance ministry official yesterday confirmed that "we have no idea what savings can be made [from the budget]. It may be difficult to keep the deficit under our planned DM80bn". The need to seek financing for the coal industry from 1996 until 2000 was precipitated last December by a constitutional court decision. It ruled that the *Kohlebergwerk*, an 8.5 per cent levy imposed on electricity consumers to offset the price of imported coal, was unconstitutional after 1995. By a 1994 law, the government is committed to supporting the industry by about DM7bn a year until the end of the century. Last week's decision comes in the wake of three other additional expenditures. The increase in the tax threshold for the lowest paid which will result in a revenue shortfall officially estimated at DM16bn. The government's planned rise in child benefits which will lead to a further DM6bn net revenue loss. The DM6bn required for the federal railways, since it will not be allowed take up loans after 1995. "The broad public deficit is likely to rise again in 1996 to about 3.5 per cent of gross domestic product after falling from a peak of 6.25 per cent in 1993 to about 3 per cent this year," said Mr Günther Thumann, an economist at Salomon Brothers in Frankfurt. The Bundesbank and economists see some room for manoeuvre. "The coal subsidies may be paid out of further cutbacks in the public sector," said Mr Thumann. It is also hoped that the extra subsidies and child benefit allowances, as well as the cheaper electricity prices following the scrapping of the *Kohlebergwerk*, might finally stimulate a rise in private consumption, which has remained sluggish as a result of tax increases introduced last January. However, Mr Thumann said: "We cannot be that optimistic particularly since any additional disposable income might be used to replenish savings which people have dipped into over the past year."

Tapie prosecutor urges jail term

The prosecutor in the trial of Mr Bernard Tapie in Valenciennes yesterday requested that the Radical party politician and former head of Olympique-Marseille football club serve six months in jail for allegedly being responsible for "corruption and suborning two witnesses" in rigging a match two years ago between his club and Valenciennes. Mr Tapie said: "If necessary, I will go [to prison]... it won't be the death of me." The case against him appeared to take a turn for the worse on Monday when Mr Jean-Pierre Bernès, a former Marseille manager, said he had agreed with Mr Tapie that they would claim a phone call that Mr Bernès received from Mr Boris Primorac, an ex-trainer at Valenciennes, was an offer to rig the match. But Mr Primorac has affirmed that, once the match was played and the bribery allegations surfaced, Mr Tapie offered him money to take the blame for initiating the match-rigging. Mr Tapie denied meeting Mr Primorac on the day in question but his alibi that he was meeting a fellow left-wing MP, Mr Jacques Mellick, elsewhere collapsed on Saturday when the latter admitted lying. Mr Mellick is now to stand trial for allegedly pressuring a witness to support his false story. *David Buchan, Paris*

Romanian sell-off bill passed

Romania's Chamber of Deputies yesterday passed a delayed mass privatisation programme (MPP) and the country's first post-communist bankruptcy law. Both bills have been approved by the Senate and now need to be signed by President Ion Iliescu for promulgation. The MPP aims to sell off about 3,000 state companies, around half of those earmarked for privatisation under a 1991 law, within the next year. The IMF and World Bank have made further loans conditional on the passing of bankruptcy legislation and the acceleration of privatisation. Romania has sold off about 900 mainly small state companies under the 1991 scheme, most purchased by management and employee groups. Analysts and World Bank and IMF officials have welcomed moves to speed up privatisation but say the MPP is too complicated and will be difficult to implement. Yesterday's voting came as about 40,000 workers protested in Bucharest over the government's decision to freeze public sector wages at last November's level. *Virginia Marsh, Budapest*

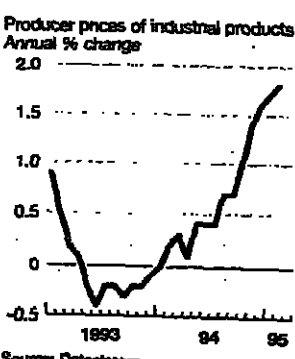
Fraud raid at Commission

Belgian fraud police raided European Commission offices yesterday in the latest step of a probe into alleged misuse of European Union money earmarked for tourism projects. The raid focused on the offices of the Commission's tourism directorate, workplace of three officials who have been suspended while police inquiries continue. Mr Nikolaus van der Pas, spokesman for Commission President Jacques Santer, said the action was at the Commission's request, adding that diplomatic immunity for the three officials, one French and the others Greek, had been lifted. Allegations concern money paid in 1990 to secure contracts awarded as part of the European year of tourism, UK television station ITN reported. It said that payments of up to £200,000 (\$492,000) were allegedly made in return for contracts. The fraud probe has added fuel to the 15-country bloc's festering row over spending controls on its budget. *Reuter, Brussels*

ECONOMIC WATCH

Producer prices edge up

Western Germany



Source: Destatis

West German producer prices edged up in February but the increase was roughly as expected. The February price index level was 1.8 per cent above that of the corresponding month in 1994, after a 1.7 per cent year-on-year increase in January, according to the federal statistics office. The producer price level in February was 0.2 per cent higher than in January. "Producers are still not able to carry through higher prices to their customers," said Mr Matthias Haffner, an economist at Barclays de Zoete Wedd in Frankfurt. "This is a good sign for that have to pay more for imported raw materials." Among products showing significant rises in February over January figures were liquid gas, aluminium goods and polyethylene. Inflation figures due this week are expected to show an annual increase rate of about 2.4 per cent in March, unchanged from February. The Bundesbank said this week that consumer prices rose at an annualised rate of 2.5 per cent over the December-February period, against 2 per cent in September-February. *Andrew Fisher, Frankfurt*

The Dutch producer price index for manufactured goods rose a provisional 1.0 per cent in January from December, giving a 4.2 per cent rise year-on-year. France's current account showed a seasonally adjusted surplus of FF12.93bn (\$2.6bn) in December after a revised FF1.69bn deficit in November.

US and Russia attempt to limit the damage

Bruce Clark, Diplomatic Correspondent, examines the background to today's fence-mending exercise

Renewed fighting in both Bosnia and Chechnya has clouded the atmosphere for today's meeting in Geneva at which the US and Russia will be struggling to patch up their differences over European security, arms control and proliferation issues. Mr Warren Christopher, the US secretary of state, and Mr Andrei Kozirev, the Russian foreign minister, will be looking for a way out of the impasse that has arisen following Moscow's objections to a US-inspired plan for Nato enlargement. The US and Russia have been discussing since January the possibility of clearing up misunderstandings over European security through an exchange of letters between Presidents Bill Clinton and Boris Yeltsin.

But the precise terms of the exchange - expected to include an assurance to Moscow that the west does not intend to isolate Russia - have so far proved impossible to agree on. As Russian officials see it, the US letter might pave the way for some formal consultation mechanism between Russia and Nato. This would stop short of giving Moscow an explicit veto in European security, but it would formalise Russia's right to be asked about strategic issues. Russian officials have hinted at several other moves the west could make to sweeten the pill of Nato embracing Moscow's former satellites in central Europe. These include: a promise that newcomers to Nato

will not routinely play host to foreign troops or nuclear weapons; a clearer western recognition of Russian influence in the former Soviet Union; and a revision of the terms of the treaty on conventional forces in Europe. However, the west has shown no sign of yielding to any of these demands, and Moscow has given no firm promise to bless the expansion of the western alliance in the event of their acceptance. Mr Kozirev and Mr Christopher will also be discussing the longer-term outlook for US-Russian relations, which received a badly needed boost this week when President Clinton accepted the President Yeltsin's invitation to attend celebrations in

Moscow in May marking the 50th anniversary of the end of the war in Europe. The prickly state of US-Russian ties was underlined yesterday when Russian officials tried to play down assertions, made last week by Mr Yeltsin himself, that military hardware would be kept out of sight in the victory parade to avoid embarrassing Mr Clinton. Mr Yuri Yarov, a deputy prime minister, claimed US sensibilities had not been a factor in planning the celebrations. While enthusiasm in Moscow for the US-Russian relationship has cooled distinctly in recent months, Russian officials say there is still an urgent need for both countries to work together in the field of nuclear non-proliferation, and to map out the

possibility of further deep cuts in strategic arms. Before that can be done, however, say diplomats, there are considerable obstacles to the fulfilment of existing arms treaties that need clearing. Mr Andrei Kortunov, deputy director of the US and Canada Institute in Moscow, described today's meeting as "an exercise in damage limitation". He said that despite all the irritants in US-Russian relations, "there is a clear desire on both sides to avoid explicit conflict". The Russian parliament, he said, seemed unlikely to ratify the Start2 treaty on long-range arms without attaching preconditions. Mr Yeltsin might therefore decide simply to implement the treaty without formally ratifying it.

Business strain El cha

NEWS: EUROPE

Businessmen strain at EU chains

By John Mason in London

A programme of deregulation throughout the European Union is urgently required "to stem the slow bleeding of Europe's economic lifeblood", an Anglo-German working group of businessmen reporting to their two governments concluded yesterday.

The reduction of labour market legislation, the appointment of a senior European commissioner with specific responsibility for deregulation and the repealing of a number of EU directives were among the group's proposals designed to create a new climate of reducing burdens on business.

The Anglo-German deregulation group was set up by Mr John Major, the British prime minister, and Chancellor Helmut Kohl after their summit last April. Members of the group included Mr Peter Agar, deputy director-general of the

Confederation of British Industry, and Dr Bernd Gottschalk, a director of Mercedes Benz.

Their report was welcomed by Mr Major who said: "Too much red tape, whether at home or from Brussels, can only strangle competitiveness. I believe that the British and German governments must work closely together to promote deregulation in Europe over the coming months."

The report warned that over-regulation in the EU was an increasingly dangerous threat to the economic competitiveness of member states. Each week saw more regulation passed and more businesses deciding to locate outside the EU, it said.

It was particularly critical of legislation inhibiting a flexible labour market, concluding that it entrenched rigidities.

"There are several proposed or agreed directives which are inconsistent with the growth of flexible working and which accordingly will destroy jobs in Europe at a cost to Europe which could run into tens of billions of Ecu," it warned.

The working time and atypical work directives on working hours were singled out as being a particular burden on business and should be abandoned, the group recommended. Health and safety legislation should also be reviewed, notably the display screen equipment and physical agents directives.

The group made a special study of three sectors: chemicals, food and transport.

It recommended lessening the impact on the chemicals industry by amending the proposed integrated pollution prevention control directive and the dangerous substances directive. The food industry should be aided by abandoning proposals for more sweeteners labelling and to limit tobacco advertising. In transport, the group recommended ending any attempt to bring in European standards for the movement of hazardous goods.

EUROPE CLOSES RANKS OVER CULTURE

EU set to strengthen film and TV quotas

By Caroline Southey in Brussels

The European Union commissioner for audio-visual affairs will today propose strengthening the EU's quota in the short term to protect its television and film industry against foreign productions. However, the system will be scrapped after 10 years.

Senior EU officials are confident Mr Marcelino Oreja's proposal will break the deadlock over a revised quota system for

the Union. His latest draft attempts to strike a balance between countries such as France, Greece, Portugal and Belgium, which want a stronger quota system, and others, such as Britain, which want it scrapped altogether.

"There is a commitment among all the commissioners to end the impasse. All would like to see the matter settled soon. There appears to be a majority in favour of the compromise," an EU official said. France is expected to oppose

the 10-year limit imposed on the quota, but Commission officials were hopeful that it would support the measures.

Disagreement about the quota was triggered last year when France, backed by some commissioners, sought to strengthen the EU's 1990 Television Without Frontiers directive.

This requires 51 per cent of material shown by European television channels to be of European origin, but only "where practicable".

France fought hard to persuade its European partners that the directive should be strengthened by the removal of the words "where practicable" and a tightening of the definition of European-made programmes to exclude chat and game shows.

Mr Oreja's draft, which has already been revised since it was first put to Commission officials last week, removes the words "where practicable" which will close any loopholes in the present system.

But in a bid to keep countries which oppose the quotas on board, the system will be scrapped after a decade.

Mr Oreja's plan proposes that new multimedia services, such as television on demand, should be kept out of the directive.

Instead, a trilateral committee representing Mr Oreja, Mr Martin Bangemann, commissioner for industry, and Mr Mario Monti, internal market commissioner, will draw up separate proposals as a first

step to creating new legislation for the sector.

The proposal also distinguishes between channels that make general programmes and "thematic" channels such as TNT and Cartoon Network. "Thematic" channels will have the choice of sticking to the production quota or investing 25 per cent of their budgets in European productions.

The plan still has to be agreed by EU culture ministers who meet in Luxembourg on April 3.

France defends cinematic legacy

By Andrew Jack in Paris

The country that invented the cinema is not going to give up its legacy easily - especially on the centenary of its birth.

As France intensifies its campaign to maintain state support for its film industry, it is also reflecting on cinematography over the past 100 years. In 1895 the brothers Lumière - Louis and Auguste - developed the concept of moving pictures in Lyons, and were swiftly followed by two others whose names live on today in French film: Charles Pathé and Leon Gaumont.

The centenary of cinema has brought a bout of celebrations including a national cinema day in January, construction of a new cinema museum in Paris, widespread release of the recently discovered colour version of Jacques Tati's classic comedy Jour de Fête, and the inevitable debate on the future of cinema.

However as the CNC, the government-backed national centre for cinematography, warned in its latest annual report last year the temporary victory for France in defending the film and TV industries in the GATT trade talks was only a "temporary victory".

With France holding the six-month presidency of the European Union and in the run-up to the presidential elections in April and May, politicians of all sides remain convinced of the need to shield the film industry, particularly from the influence of US culture.



French cinema attendance and film production remains extremely strong, and a high proportion of the films shown in the country's cinemas are of French origin.

The British may scoff at many French films involving little more than intense discussions about personal relationships, but a number of films in recent years have proved popular overseas as well as domestically.

In addition it was the British, alongside the Italians whom the French have long considered their only cultural equals, who provided finance for the highest number of co-productions in France last year. Government levies and French language quotas required on the national television channels boosted the total number of financially aided films last year to 1,297 hours across the six channels.

However, prospects for the future are not necessarily healthy. The number of French films produced last year dropped to 89 from 101 in 1993 and total investment including co-productions fell from FF30bn to FF22.8bn (£355m) last year.

Equally, US films remain dominant in French cinemas, overtaking French films in 1987 and now holding about 57 per cent of the market.

Gingrich warns of retaliation by Washington

By Nancy Dunne in Washington

A tightening of restrictions on foreign film and television by the European Union will not go unanswered in Capitol Hill. Mr Newt Gingrich, the Speaker in the Republican-controlled House, and seven other Republicans met film industry executives last week after which Mr Gingrich warned that the US could easily pass a law cutting off imports of Europe's "most sensitive, high-technology high-growth areas".

Mr Jack Valenti, president of the Motion Picture Association of America, and central figure in the formulation of the US response, yesterday played down threats of retaliation. He favoured waiting to see the final outcome of the EU initiative on quotas.

Mr Gingrich, he said, "wanted to make sure that he [Gingrich] could do all in his power to make sure we had access to the world marketplace."

Mr Valenti also said that the Speaker had agreed to establish a task force of key committee and subcommittee chairmen to work with the industry to develop goals which could be developed into legislation.

The MPAA president has preferred to deal with the issue

peacefully. He said Hollywood was "engaged in dialogue" with the European Producers Association and had met French producers.

"My overarching aim is to help Europe build a strong busy thriving cinema and television industry," he said.

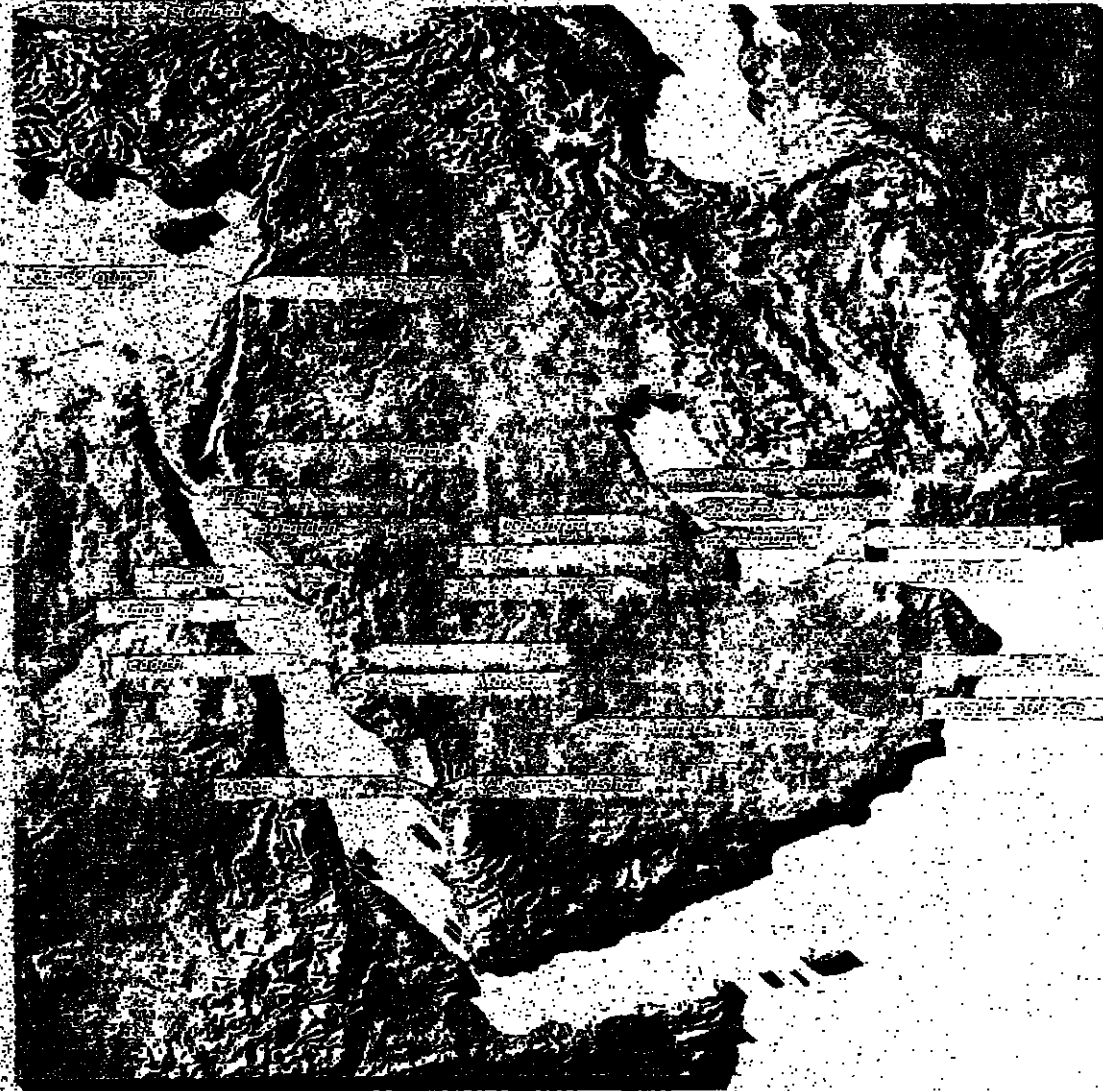
"Wherever the cinema and television industry in a country is strong, the market is larger. Wherever there is expansion, we will get our just share of that if we put out television programmes and movies that people want to see."

The US film industry is the country's second largest export earner. The Clinton administration demonstrated its commitment to the industry's continued health in a recent confrontation with China over intellectual property which ended all Chinese quotas on foreign films.

Mr Valenti argued that the industry had nothing to do with government regulation: "I don't know one prime minister that has ever made a movie."

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NEWS: THE AMERICAS

Republicans threaten to trim Commerce Department

US agency defends its work

By Nancy Durne
in Washington

The US Commerce Department yesterday mounted a strong defence against the first of several Republican threats to slash its budget and transfer its functions to other agencies.

At a hearing before the Senate international finance committee, Mr Jeffrey Garten, under-secretary of commerce for trade, yesterday warned against a proposal to transfer part of the department's US foreign and commercial service to the State Department. "It would be tantamount to taking a train which has been going down a successful track and backing it up," he said.

With a staff of 1,300 and a budget of \$137m (\$38m) - the smallest for such a commercial agency among the industrialised countries - the commercial service has been helping small- and medium-sized US companies devise export strategies and has been providing introductions to promising markets.

Mr Garten said that, on a conservative estimate, every dollar spent by the Commercial Service (US&FCS) generated \$29 worth of exports. His defence of the agency was backed by a former under-secretary, Mr J. Michael



Jeffrey Garten (left) and Jesse Helms: should the trade train be reversed?



Farren, who warned that moving the US&FCS "would be turning the clock back on incremental progress made by three administrations".

The US&FCS dismemberment has been proposed by Senator Jesse Helms, right-wing chairman of the Senate foreign relations committee, who believes its foreign policy functions could better be performed at the State Department. But Mr Alfonso D'Amato, chairman of the banking committee, threw his support behind Commerce.

The attacks on Commerce come now that it has grown more visible. Mr Ron Brown,

Commerce Secretary, vowed to make it "a power-house". Within the business community, he is widely thought to have succeeded.

The commerce department will have to defend itself in a number of venues. The House appropriations subcommittee has already cut its grants for telecommunications infrastructure and manufacturing technology centres, two programmes strongly supported by business.

Senator Robert Dole, Senate majority leader and a presidential hopeful, has also backed government restructuring. He wants the elimination of four

departments and the merger of Commerce's trade functions with those of the US Trade Representative's office.

In the House, new members are calling for the complete dismantling of Commerce and of the departments of education, energy and housing. They will have to contend with senior Republican moderates such as Senator Christopher Bond, chairman of the subcommittee, who said: "In a perfect world, we should not need an agency like the US&FCS." But, without it, US companies, especially small ones, would be at a serious competitive disadvantage, he said.

Split in party over child tax credit cap

By George Graham
in Washington

More than 100 Republican members of the House of Representatives have written to their party's leaders asking for a proposed tax credit of \$500 (£316) per child to be limited to families with incomes of less than \$95,000 a year.

The letter is a significant break in party unity over the tax cut, which is one of the central planks in the Republicans' Contract with America manifesto. It reflects growing concern among party members, not only that the proposed tax cut would make it harder to balance the federal budget, but also that they are being pushed into the position of defenders of the wealthy.

The suggestion that the \$500 child tax credit should be capped at \$95,000 incomes brings almost half of the House Republicans into closer alignment with President Bill Clinton, who has suggested a ceiling of \$75,000, than with the Contract's suggestion of \$250,000, which is estimated as apt to cost \$105bn in lost revenue over the next five years.

Mr Clinton's narrower proposal, which would be phased in and apply only to children under 13, rather than to the Republicans' age limit of 18, is estimated to cost only \$33bn over five years.

Republicans have until now criticised Mr Clinton's proposal as an attempt to fuel class warfare.

The letter yesterday has drawn support from a broad range of Republican members. It was circulated by Congressman Pat Roberts, chairman of the agriculture committee and in his 18th year in Congress, and by Congressman Greg Ganske of Iowa, in his first term. Nine other committee chairmen signed and so did 34 other first-term members.

The House revolt over the tax cut comes as Senate Republicans are making clear that they planned to use any savings from spending cuts to reduce the budget deficit, before even considering tax reductions.

After a weekend retreat, attended by Republican and Democratic members of the Senate finance committee, as well as by Mr Robert Rubin, treasury secretary, Senator Robert Packwood, committee chairman, said he was prepared to propose severe cuts in government spending, including programmes often regarded as untouchable such as social security pensions and tax expenditures.

"To the extent that we can both reduce the deficit to zero over seven years and have tax cuts, so much the better, but I don't think we should put the priority of tax cuts first and then reducing spending later," Senator Packwood said.

Brazil seeks new ways to turn the lights on

Energy shortages and long delays in new power stations signal the need to change from state-led path, writes Angus Foster

While parts of Brazil suffer power cuts and the whole country faces possible energy shortages, work on more than 50 planned power stations is stalled. The delays, caused by the government's financial problems, reflect the exhaustion of Brazil's state-led development model and have come to symbolise the need for change.

A law approved last month will help by allowing the private sector to compete with state companies for some generating projects. Analysts believe it is the first step toward a slow but comprehensive privatisation of Brazil's electricity sector, one of the developing world's biggest.

Mr Raimundo Brito, mines and energy minister in the new government of President Fernando Henrique Cardoso, says: "The political will exists to change the state's role in the economy. I don't see why the state, which does not have the resources anyway, should be investing in the economy's infrastructure."

The state-led model prescribed government ownership of most of the electricity system through its holding company Eletrobras, which in turn controlled most of the generators. Eletrobras also held stakes in generators and distributors controlled by state governments.

The model worked well until the beginning of the 1980s and provided subsidised power for poorer regions. But mounting financial problems forced the government to reduce investment. After a decade of cuts, planned investment for 1993 was similar to 1973 levels, even though electricity consumption had increased four-fold during the period. The result was mothballed power stations and declining standards.

The new legislation seeks to revive the sector by attracting private investment. Power stations whose construction has not yet started, or where the concession holder lacks funds to finish the work, will be re-tendered. Private companies, which can often arrange better financing, are likely to outbid state companies on many projects.

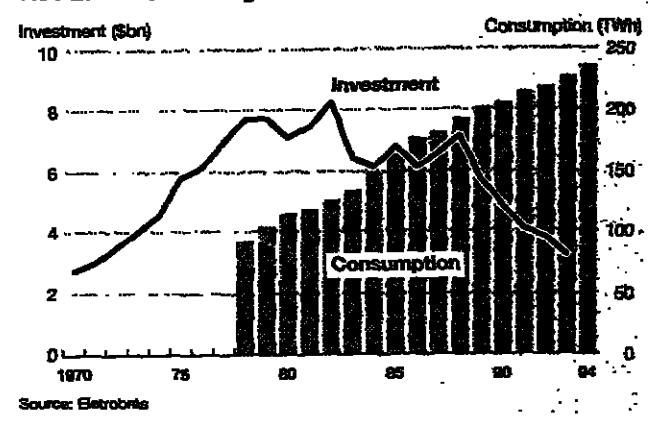
State companies which do not satisfy the government's financial and management standards may even lose concessions. And, if separate legislation is passed, the private sector could be allowed for the first time to generate energy for sale as well as its own use.

The private sector has reacted positively to the new law, with heavy users of energy, such as metals and industrial companies, expressing interest in generation. Several

eral construction groups are also thought to be planning consortiums to bid for projects. Mr David Zylbersztajn, energy secretary in the southern industrial state of São Paulo, says he is being approached "almost daily" by potential investors, including foreigners ones from the US, UK, France and Australia.

Potential investors remain cautious, warning that re-tendering will not begin for several months and the government's long-term planning for the sector is under review. Estimates that the system's 52,700MW capacity needs to grow to 79,000MW by 2003 assume an annual 4.7 per cent

Brazil: electricity sector



increase in demand and annual investment of 6.1bn Reals (\$4.3bn) until 1998. But demand is rising more rapidly than projected, and investment has been much lower.

Mr Brito points out that change in the sector will take time and is "a process" the rules and regulations of which will be set by the present government, but which may take longer to complete. A further sign of the government's cautious stance is that it has so far only confirmed the privatisation of Escelsa, a small distribution company which will be auctioned at the beginning of May, and Light, a distributor in Rio de Janeiro state.

Government caution stems from concerns that sweeping privatisation is not possible under the sector's present legal structure. Because of constitutional and legal restrictions, Eletrobras cannot sell certain assets such as its nuclear facilities and a 50 per cent stake in the Itaipu hydroelectric dam, the world's largest. The company also performs important planning, technical research and development banking functions which cannot be transferred to the private sector.

The government has a tentative plan to hive off Eletrobras' operating arms to prepare for

the eventual sale of stakes in its four main generators and transmission companies. But such changes could take two years to prepare. Meanwhile, Brazil lacks an adequate regulatory structure to monitor newly privatised companies. The national department of waters and electric energy, DNAEE, has some pricing and regulatory powers but lacks the resources to prevent newly privatised companies becoming abusive monopolies.

"You can only have free markets if you have someone to guarantee free competition," according to Mr Zylbersztajn. The other brake on privatisation is the parlous financial

state of some of the most obvious candidates. The government, and state governors, are likely to try to delay sales in the hope of gaining better prices. Some analysts argue, however, that central and state governments' need to raise money to reduce debts could force them to sell companies quicker than they might like.

São Paulo state controls two of the most attractive privatisation candidates: Cesp, Brazil's biggest generator, and Eletropaulo, the country's largest distributor. The latter provides electricity to 5.5m households, making it one of the world's 10 biggest distribution companies.

However, after nearly a decade of political interference and bad management, both companies are in financial trouble. Eletropaulo buys electricity at the equivalent of \$31 per MWh and charges customers \$50. Yet, thanks to inefficiency, corruption and high financing charges, the company has lost money every year since 1990 and in the first nine months of last year lost \$57.5m Reals.

"At this stage, privatisation is a bad deal because these companies are very lowly valued. We are not contra privatisation, it is just that we are not in favour of it at any cost," says Mr Zylbersztajn.

Industry set for telecoms hearings

By George Graham in Washington

Telephone and television industry interest groups squared off yesterday for one last round of hearings before the Senate commerce committee tomorrow starts line-by-line drafting work on a comprehensive reform of telecommunications legislation in the US.

Senator Larry Pressler, the committee's Republican chairman, and Senator Ernest Hollings, its senior Democrat, have been working to pull together a bill both their parties can back but, after meetings on Monday, three main issues remained unresolved: whether cable television companies should be released from the price restrictions imposed on them in 1992; whether rules to limit the number of television or radio stations a single company may own should be relaxed; and how far foreign companies should be allowed into US telecommunications markets.

Mr Decker Anstrom, president of the

National Cable Television Association, said cable companies saw their revenues flattened and their cash flow in decline last year as a result of the controls on their pricing, which had drawn support from both parties in 1992 because of widespread overcharging by companies enjoying monopolies in their local areas.

He said cable companies had cut their prices by 17 per cent and now faced competition, not only from telephone companies, which have been allowed by the courts to start offering video services, but also from direct satellite broadcasting.

But Mr Bradley Sillman, telecommunications policy director of the Consumer Federation of America, countered that telephone companies and satellite broadcasting were not yet commercial competitors for cable.

When competition exists in fact, he said, the 1992 law provides for its price restrictions to be lifted automatically.

Association of Broadcasters yesterday told the committee that it supported repeal of restrictions on the number of radio stations a company could own, but remained neutral on television station restrictions.

Some media groups, led by Mr Rupert Murdoch's Fox network, strongly support the repeal of restrictions on ownership of more than one television station in a single market and on the percentage of the national market a single group may own.

But repeal is opposed by most local stations affiliated with the major ABC, CBS and NBC networks. Argument is also expected over the extent to which the current restrictions on foreign ownership of communications companies should be relaxed. The Federal Communications Commission has already proposed its own set of draft rules to link authorisation for a foreign company to enter the US market with reciprocal access for US companies to its home market.



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Senate's line item veto vote near

By Jurek Martin, US
Editor, in Washington

The Senate will probably vote this week on a compromise bill to give the president new powers to strike out specific spending proposals without sacrificing an entire piece of legislation.

The critical motion, likely to come late today, will seek to obtain the 60 votes necessary to break a Democratic filibuster against the line item veto bill. Senator Robert Dole, the Senate majority leader, said all 54 Republicans were on board, but he stopped short of predicting he could secure six Democratic defections.

Democratic resistance is twofold. Senator Tom Daschle, the minority leader, is complaining that the new compromise bill

was drawn up without the normal bipartisan consultation and public hearings.

Also, the Democrats unveiled yesterday their alternative legislation. This would make it easier for Congress to override a line item veto and would broaden the taxation categories liable to a veto, including the capital gains tax cut high on the agenda of conservative Republicans.

The Republican bill, sponsored by Senator Dole, would break up broad appropriations bills, often covering several government departments, into a separate bill for each item of spending.

In a minor concession designed to attract Democrats, the Dole bill would also make liable to veto narrowly targeted tax breaks for special

interests, but would, to satisfy Republicans, render specifically liable new or expanded spending on entitlement programmes, such as welfare.

The Dole bill, which would have a four-year life, requires a two-thirds vote in both chambers of Congress to override a line item veto, whereas the Democratic version would allow the president's decision to be reversed by a simple majority in either chamber.

President Bill Clinton issued a statement on Monday night, urging the Senate to pass "the strongest possible line item veto bill". Presidents Ronald Reagan and George Bush had called for similar authority to cut spending passed by Congress, which they deemed wasteful.

Mr Clinton expressed no preference for either bill, a different version of which has already passed the House of Representatives. He is keen to claim political credit for approval, as are the Republican leaders.

This is particularly true for Mr Dole, whose leadership of the Senate is under some fire from conservative Republicans for failing to deliver on the Contract with America proposals that have been rattling through the House at speed.

But the Contract faces further trouble in the Senate. Senator Bob Packwood, finance committee chairman, is now promising to block the \$188bn (£119bn) tax-cutting proposals advanced last week by Republicans in the House unless off-setting spending reductions were agreed first.

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Winning the leadership was the easy bit

'Rocky' Ruggiero faces a hard task in leading the WTO in the wake of the international squabble that marked its birth

By Guy de Jonquieres, Business Editor

At an age when most men contemplate retirement, Mr Renato Ruggiero, who emerged yesterday as victor in the race to head the World Trade Organisation, is about to embark on the task of firmly establishing a central role in global economic policy. The 64-year-old career diplomat - whose pugilistic build has earned him the nickname Rocky - brings to the job much high-level international experience. It includes spells as a senior European Commission official, as a sherpa at several world economic summits and as Italy's trade minister.

He is likely to need all his diplomatic skills and fighting spirit to get the WTO back on track. The lengthy tussle over its leadership has embittered relations between the world's biggest trading powers and severely strained the consensus by which the body is supposed to operate.

One of his key tests will be to gain the full confidence of the Clinton administration, which resisted his appointment until the end. Its

opposition became highly personalised, when senior officials branded him "too protectionist" and a representative of "over-regulated economies".

Mr Ruggiero has rejected these accusations, pointing out that, as trade minister, he helped liberalise Italy's capital markets and removed barriers to Japanese car imports - for which he was decorated by the Japanese government. He insists that, as the first choice of more than half the WTO's members, his support is broadly based.

However, his victory also owes much to the energetic backing of Sir Leon Brittan, the EU trade commissioner, who helped mobilise support for Mr Ruggiero across Europe and from many developing countries dependent on EU trade aid.

US officials have blamed Sir Leon for turning the contest into a regional power struggle. Many WTO members also suspect he wanted a man in the job who would treat the EU favourably. That is an impression Mr Ruggiero will doubtless want quickly to dispel in the interests of restoring WTO unity.

Mr Ruggiero has tried hard to stay above the acrimonious politicking

surrounding his candidacy, focusing in public on the heavy agenda facing the WTO, whose first task is to implement fully the Uruguay Round world trade agreement.

The WTO is also set to tackle a range of other complex, and often politically inflammatory, policy issues. These include links between trade and the environment, competition policy and labour standards, the liberalisation of investment and the admission of new members, including China and Russia.

Mr Ruggiero has sought to steer a middle course when addressing the most controversial questions. For instance, he has supported industrialised countries' demands for tough environmental standards, while sharing developing countries' concern that they should not result in trade protection.

One of his favourite themes has also been the importance of ensuring that the multilateral trade system is not undermined by the growth of economic regionalism. That is a topic on which the geographically divisive contest for the WTO leadership has doubtless provided him with a wealth of fresh insights.

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Ruggiero: key test will be to win full confidence of Clinton administration

WORLD TRADE NEWS DIGEST

Ariane rocket launch delayed

The launch of a European direct television broadcasting satellite and a Brazilian telecommunications satellite will be delayed until at least next week, officials in charge of the Ariane rocket programme said yesterday. The delay follows the decision to halt the launch of the 71st Ariane rocket from French Guiana late on Monday because of a suspected fuel line leak in the rocket's third stage. Last year the Ariane programme experienced two failures linked to the rocket's complex cryogenic third-stage which burns a mixture of liquid hydrogen and liquid oxygen. Two payloads were sent plunging into the Atlantic ocean. Ariane's latest launch had already been delayed for a week by technical difficulties. *Paul Taylor, London*

India extends phone deadline

India's department of telecommunications has extended by almost a month the deadline for bids to provide basic and cellular telephone services because of hundreds of detailed queries on clauses and conditions in the tender documents. Tenders for cellular services must now be submitted by April 21, while those for basic services must be in by April 28. The original bid deadlines were March 30 and 31 respectively. In January the government released terms for the bid round which required Indian private companies to form joint ventures with proven foreign telephone network operating companies, with foreign investment limited to 49 per cent. Bidders will compete for 20 regions roughly corresponding to India's state boundaries. *Mark Nicholson, New Delhi*

■ Australia is to resume live sheep exports to Saudi Arabia, a trade which was halted four years ago for health reasons. Parliament was told the trade could restart next month, after agreement on health-related guidelines, and had the potential to add about A\$20m (\$14.7m) a year to Australia's Middle East exports. *Nikki Tai, Sydney*

■ A consortium comprising Oryx and Santa Fe Minerals of the US and Chile's Clapso and state-owned Sipetrol has signed an agreement with the Ecuadorian government to explore for crude oil in the country's Amazon region. The consortium will invest some \$60m and will have the right to exploit its discoveries over 20 years. *Raymond Collis, Quito*

■ Sri Lanka's Dankotuwa Porcelain is to manufacture tableware for US designer label Ralph Lauren. *Reuter, Colombo*

■ Rolls-Royce of Britain has completed negotiations on a \$15m turnkey project for a gas fired power station with Compania Boliviana De Energia Electrica de Bolivia. *Reuter, London*

EU to suspend anti-dumping duties on D-Ram chips

By Caroline Southey in Brussels

The European Commission is preparing to suspend anti-dumping duties on Japanese D-Ram microchips as part of a reassessment of a range of duties imposed in 1990.

The decision to suspend the 14 per cent anti-dumping duty on all D-Rams (dynamic read and write memory chips), imported into the European

Union from Japan has been taken at the political level, a Commission official said.

The legal text is being prepared and an announcement is due within the next few weeks.

The commission will review conditions in the market before taking a final decision. "On the evidence gathered so far the Commission does not think there is a case for continuing with the measures," the official said.

The Commission could have chosen to conduct the review with the duties in place, but has elected to suspend the measures until the review is completed.

The review, which could take from six months to two years, will establish whether Japanese companies are still dumping D-Rams on the European market and whether European industry is losing market share as a result.

"Evidence so far suggests that Japanese prices have been raised and that European companies are no longer suffering injury from unfair pricing policies," the official said.

EU companies which use D-Rams have urged a relaxation of the measures in favour of a more liberal agreement. They argue that prices have been sustained at high levels and that demand is far outstripping supply. But EU

D-Ram manufacturers have maintained that Japanese prices have posed unfair competition.

The European market for D-Rams of all sizes is predicted to reach \$50n this year. The world market for semiconductor memory is growing by 80 per cent a year.

The present industry standard is the 4-megabit D-Ram, which has been in increasing demand worldwide. D-Rams

are the basic building blocks of memory systems used in electronic equipment such as personal computers, telephone handsets, supercomputers and telecommunications switches.

Korean D-Rams are presently subject to duties of 14 per cent on imports into the EU. South Korean manufacturers are required to provide cost and price data on a quarterly basis to guard against dumping in the EU.

Set for one small step towards an open sky

The UK and US are starting a new round of aviation talks, writes Michael Skapinker

With their dispute over Northern Ireland beginning to recede, US and UK government officials attempt today to resolve another area of disagreement - aviation rights.

The discussions in London, expected to continue until the end of the week, are the first formal talks since the US walked out of aviation negotiations in December 1993.

In the last round of talks, the US demanded greater access to London's Heathrow, the world's leading international airport. The UK wanted its airlines to be able to invest more fully in US carriers. Neither side would give way.

The airline industry believes the two governments will begin negotiating on a far more limited set of objectives. Many in the US now accept that an open skies agreement with the UK is years away. It is better, they argue, to make incremental progress than none at all.

The US is likely to make one important demand - that United Airlines be allowed to fly from Chicago to Heathrow. The UK is expected to ask for the right to make more flights to Philadelphia. It is also likely to ask for US approval of a further tranche of code sharing agreements between British Airways and USAir.

The UK will also ask the US to drop its "fly America" policy, under which foreign airlines cannot bid for contracts to transport US government employees. The UK argues that US airlines are already allowed to bid for British government business.

This is a long way from the open sky deals the US is negotiating with nine small European countries, six of them EU members. But UK and US aviation industry sources accept

Top ten routes

In June 1994

European point	US gateway	Airlines	Flights
London	New York	5	587
Paris	New York	6	239
Frankfurt	New York	4	210
London	Boston	4	150
London	Los Angeles	4	150
London	Washington	2	133
London	San Francisco	3	129
London	Chicago	2	120
London	Miami	4	111
Amsterdam	New York	3	94

Source: Civil Aviation Authority

that the stakes in their talks are much higher.

Both sides have an asset the other would dearly like to get its hands on. For UK carriers, that asset is the vast US domestic airline market. About one-third of the 10m passengers who fly between the US and UK each year begin or end their journeys in one of the smaller American cities to which British airlines are not allowed to fly.

To gain more access to the US domestic market, BA established an alliance in 1993 with USAir. BA owns 24.6 per cent of USAir's stock. BA would like to increase this stake and forge closer ties with the US carrier, but this is not permitted under US law. The right to establish more extensive links with USAir was a principal UK demand in the failed talks of 1993.

For the US, the big UK asset is Heathrow, easily Europe's biggest airport.

United and American Airlines are the only two US carriers permitted to fly to Heathrow. In the last set of negotiations, the US demanded that other carriers be allowed to use the airport. The UK strongly resisted this demand. Heathrow is the power base of BA, one of the most profitable international airlines and one

of a handful of UK companies with a genuine claim to be a world leader.

In the months after the negotiations broke down, the UK government made an effort to improve relations unilaterally. Last October Mr Brian Mawhinney, transport secretary, lifted all restrictions on transatlantic flights to the UK's regional airports. Mr Mawhinney called the decision "the most sweeping unilateral liberalisation move in the history of transatlantic aviation".

While US airlines said the announcement did little to resolve the issue of access to Heathrow, the US government showed it was prepared to move when last month it approved a long-delayed code-sharing agreement between the UK's Virgin Atlantic and Delta Air Lines of the US.

That the US has limited its demands to asking for United to be allowed to fly from Chicago to Heathrow has caused some opposition from American Airlines.

If the UK agrees to a United route from Chicago to Heathrow, British skies will be only slightly more open than before. But as one airline industry executive said: "On both sides we've moved to an approach of 'let's do a bit at a time'."



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NEWS: ASIA-PACIFIC

Tokyo gas attack breaks strong taboos

It threatens an ordered society and challenges a cherished group ethic, writes William Dawkins

The gas attack on commuters in the Tokyo subway network, in which eight have died and nearly 5,000 been hurt, broke Japan's strongest taboos. It threatens the order of one of the world's most orderly societies; it is a murderous challenge to Japan's cherished group ethic, probably from within the group; and a reminder of the dark side of Japan's efficient urban life.

It is a second blow to the nation's self-confidence, after the Kobe earthquake in January, in what has started out as an extraordinarily tragic year for Japan. If anything, the Tokyo attack hurts more than Kobe, one of Japan's long history of natural disasters. This attack comes from within, as several Japanese newspapers pointed out yesterday.

The images of Kobe were poignant enough - the authorities struggling in the face of natural tragedy. The pictures from Tokyo are in some ways just as shocking, even if the toll of

casualties is not as high as that of Kobe.

A row of office workers, stretched out choking and writhing on tarps on a pavement in central Tokyo, supposedly one of the world's least threatening cities, looks terribly vulnerable. "The frightening thing is that we have no way of defending ourselves from such an attack," said a secretary interviewed in a television news report.

Little is yet known about who organised the attack or why. One of the few certainties is that it was an organised group effort, because of the danger in making gas, and the organisation needed to place five canisters simultaneously on three subway lines at the busiest moment of the morning rush hour.

Four smaller such incidents, which passed largely unremarked until this week, suggest the perpetrators may have been preparing for a bigger attack. Even more sinister connota-

tions emerge from the discovery last week of three briefcases at a Tokyo subway station, containing tanks with an unknown liquid and small electric fans.

The fact that the three subway lines cross each other at Kasumigaseki, headquarters of Japan's all-powerful bureaucracy, including the national police headquarters, suggests the attackers may have had a grand target in mind - the centre of government.

"This is a bold challenge to the nation's social stability," said the Yomiuri Shimbun, Japan's largest circulation newspaper. Less clear is who to blame and what their motives are. Inevitably, the search for an answer will lead to some uncomfortable national soul-searching, just as did the botched official rescue after the Kobe earthquake.

"Whoever did this is alien to us," says Mr Toshio Kusumitsu, professor of social history at Tokyo University.

"Yet one cannot help feeling society itself must have produced such people, with such a counter-culture. We have worked for economic success, yet are not 100 per cent happy with what we have created."

Mr Kusumitsu and many others in Tokyo over the past few days have speculated that the culprits may well be found among those excluded or marginalised in Japan's search for economic success, and in the recent recession.

The first reaction of the Japanese press was to point the accusing finger at a little-known religious cult, Aum Shinri Kyo, investigated by the police after a mysteriously similar gas leak last year near one of its branches in Matsumoto, central Japan, and accused of masterminding several unresolved kidnappings.

Aum Shinri Kyo, or Aum Supreme Truth, yesterday maintained it had nothing to do with the Tokyo attack, and accused the government of a

"tricky crime" to implicate the group. But whatever the truth behind Aum Supreme Truth, the Tokyo attack has drawn attention to a curious spiritual phenomenon of late 20th century Japan, the growth of new religions, some prone to extreme beliefs.

Aum, a nine-year-old Buddhist sect with about 10,000 members, is among the religious cults to have emerged since the second world war, claiming to offer a spiritual dimension to the humdrum lives of Japan's armies of salarymen. Its founder, Mr Shoko Asahara, a would-be politician, believes he can levitate, that is, until the world ends in 1997.

Even more mainstream religious groups which have emerged since 1945 are marked by extremist personality cults.

At the most recent count, the government's cultural affairs agency knew of 231,000 Japanese religious sects with 215m members, more than 1.5 times the population of 124m.

Rebel ultimatum may wreck Sri Lanka peace

By Mervyn de Silva in Colombo

An ultimatum by Mr Velupillai Prabhakaran, supreme commander of the separatist Tamil Tigers, could wreck Sri Lanka President Chandrika Kumaratunga's hopes of a negotiated settlement of 12 year insurgency in the island's north.

The revolt has claimed more than 30,000 lives and kept defence spending at well over \$1m a day.

Mr Prabhakaran at the weekend warned the ruling People's Alliance that the Tigers would abandon a 10-week ceasefire and resume fighting unless the government agrees by next Tuesday to three demands which appear difficult for Colombo to meet.

First, the Tigers insist that the army's Pooneryn camp in the north should be removed or dismantled. It claims that Tamil civilians, including women and children, moving out of the northern peninsula to the mainland and to the capital Colombo are routinely harassed and their goods looted. The army says Tigers rarely wear uniforms and these apparent civilians are often hardcore guerrillas.

Second, the Tigers are demanding the removal of what they describe as an economic embargo on their Jaffna stronghold. As a confidence-building measure, the government has removed 26 prohibited items - among them cement - from the 40 on its list. Army intelligence has reported that the cement is used to build bunkers.

The third demand concerns freedom to use boats at night in traditional fishing villages. The navy has opposed such a move.

As a goodwill gesture the Tigers released 16 prisoners, all policemen from the Sinhalese majority community. But Mr Prabhakaran accused the newly elected government of going through the motions of peace negotiations to please international donors and those among the island's Tamil, Moslem and Christian minorities who voted for Ms Kumaratunga as "the peace candidate" at the November presidential polls. A record 83 per cent voted for her compared with the barely 50 per cent achieved by her political grouping at the September general election.

The prospect of a "peace dividend" is a central factor in the

People's Alliance's calculations, says Dr Lal Jayawardena, the president's economic adviser. "It is not just reduced defence costs that we have in mind but more investment, opening the beaches of the north-east to high-spending tourists and other direct benefits of normal conditions," he says.

Prof G.L. Pieris, constitutional affairs minister, insists the peace process "is holding". The former Colombo University vice-chancellor is working on a "federal solution" to the ethnic conflict. Considerable power can be devolved to the provincial councils, he says. But power is not the only problem. Territory is equally vital in the Tigers' concept of "traditional homelands". It includes the country's eastern province in the proposed Eelam, which would be an independent or autonomous region.

The Tamils are the largest community in the east but account for no more than 42 per cent of the population there. Moslems represent a third and the Sinhalese nearly all the remainder. The Tigers had expected the Moslems, who are Tamil-speaking, to



Kumaratunga (left) searching for peace with Prabhakaran

join their cause. But Islam has proved to be a stronger force than language, and the eastern province has been referred to as Sri Lanka's potential future Bosnia.

Moslems support the Sri Lanka Moslem Congress of Mr A.H. Ashrafi, the shipping min-

ister. The SLMC is a member of the PA. Nonetheless, the worldwide Islamic revival has encouraged the SLMC and Mr Ashrafi, a regular visitor to Iran, Libya and Pakistan, to assert their separate identity. The eight-party PA is showing signs of internal discord

under the strain of deciding how to handle the negotiations with the Tigers. The army, once a modest ceremonial force has become a 100,000 strong institution that wields considerable political influence. It will seek to ensure that its interests are protected too.

Bhutto seeks to impress US with anti-terror drive

By Farhan Bokhari and Graham Bowley in Islamabad

Ms Benazir Bhutto, the Pakistani prime minister, yesterday sought to set the tone for her visit to the US next month by calling for international help to stem a growing tide of lawlessness.

Her appeal was seen by officials as an effort to build bridges with the US administration after a period of strain. This came after Washington cut off its large military and economic aid package to the country four years ago when it suspected Pakistan of manufacturing nuclear weapons.

"Pakistan is in the vanguard of the movement to uncover militant groups that have been operating in different Moslem countries since the end of the Afghan war," said Ms Bhutto.

Her remarks followed her claims over the weekend that Ramzi Yousef, the man accused of masterminding the



Bhutto: death threat

bombing of the world trade centre in New York, tried to assassinate her before she became prime minister in 1993. Pakistani officials say the assassination attempt failed because Yousef was severely injured when the explosives he was carrying blew up just hours before his planned attack at Ms Bhutto's home in Karachi.

Her government has vowed to crack down on the hundreds of Islamic madrasahs (religious schools) across Pakistan, amid official claims they have become centres for armed training for young men and teenagers.

The government is facing an uphill task because many are funded by foreign governments, especially Iran and Saudi Arabia.

Some officials are convinced religious leaders could use popular discontent to begin a fresh campaign against the government in retaliation for Ms Bhutto's crackdown on the madrasahs.

Pakistani officials are also worried over the economy's performance this year, especially high inflation. Ms Bhutto is expected to urge US congressional leaders and President Bill Clinton to restore the economic aid package, which would provide a much needed cushion for her government.

Suharto warns of high yen danger for loan payments

By Manuela Saragosa in Jakarta

A Japanese business delegation in Jakarta said yesterday it had been warned by President Suharto that the rise in the yen was making it more difficult for the country to repay its substantial yen-denominated loans. Indonesia would need to increase its exports to and foreign investment from Japan to cover the costs, the country's leader told the businessmen.

Some 40 per cent of Indonesia's foreign debt is denominated in yen while a large proportion of the country's exports is denominated in US dollars.

Indonesian ministers are working to streamline export, import and foreign investment procedures, which businessmen say are hampered by bureaucratic red tape.

There is some urgency about the problem because growth in

Indonesia's non-oil exports and the trade surplus both slipped last year. Non-oil exports in 1994 grew 12.15 per cent to \$30.37bn while imports rose more sharply at 12.53 per cent to \$31.88bn.

Mr Suharto assured Indonesians that the Indonesian government had anticipated a strong yen in the budget and would be able to meet the challenge. Local newspapers quoted the president as saying the government's budget for the year which starts in April had included precautions such as increasing the proportion of yen kept in the country's foreign exchange reserves.

Mr Mar'ie Muhammad, the country's finance minister, was also quoted as saying the government wants to lobby foreign aid donor agencies to denominate all their loans in US dollars. In the past two of the country's biggest multilateral donors, the World Bank and the Asian Development

Bank, have extended loans partly denominated in yen.

The finance minister said the government was unlikely to reduce its borrowings from Japan because no other single country had a lending capacity as large as Tokyo's.

Indonesia's foreign debt, which fell to \$87.6bn in December last year from \$93bn in September, ranks as one of the largest in the developing world. The figure is substantial largely because the Indonesian government does not borrow on the local market - there are no government bonds in Indonesia.

Some \$5.6bn of the December foreign debt figure is owed by the government, \$24bn by private borrowers and \$5bn by state-owned companies. Over the past year, the government has worked to reduce its foreign debt burden and has discouraged private businesses from borrowing abroad.

India's central bank boosts discount rate priority

By Peter Montagnon and R C Murthy in Bombay

The Reserve Bank of India plans to place increasing emphasis on its discount rate as an instrument of monetary policy now that reform of the banking sector is taking hold, its governor, Mr C. Rangarajan, said yesterday.

Previously, the discount rate, set at 12 per cent for some years, had little relevance, since much bank lending was directed to specific priority sec-

tors at pre-determined rates of interest, he said.

The central bank was thus forced to impose large reserve requirements on the banks as a means of monetary control. But part of the reforms involve the reduction of reserve requirements to give banks more freedom over the deployment of their assets. "Now we are trying to evolve towards the use of the bank rate as a signalling mechanism," Mr Rangarajan said.

The Reserve Bank has been

helped by the government's decision to finance its deficit by borrowing at market rates. This creates scope for the use of open money-market operations to set monetary conditions.

"What we have been trying to do is to ensure that, in pursuit of monetary policy, we have greater freedom and manoeuvrability. So long as the government's deficit was being automatically monetised, our ability to regulate the money supply was eroded. There is a

distinct change in this respect," Mr Rangarajan said. Bankers said they would welcome a greater profile for the discount rate. It could become a reference rate for pricing their loans. Under the financial sector reforms, banks have been given freedom to set their own rates on larger loans, though there is still a cap on deposit rates.

The use of a pricing mechanism coupled with open market operations to control money supply would leave

banks with more flexibility than the burdensome obligation to meet large reserve requirements, they said.

But Mr M. Vaghul, chairman of ICICI financial services, says he supports the change in principle, but it may take time to take effect. "We have not succeeded in establishing a money market with sufficient depth and breadth," he said.

Mr Rangarajan said the pressure on money supply growth from foreign currency inflows had slowed, with less money

pouring into the financial markets in the second half of the current fiscal year. This should make money supply more manageable, though inflows of foreign direct investment showed signs of increasing.

At 5.5 per cent of gross domestic product, the fiscal deficit planned for the next fiscal year was "reasonable," he said, though the size of the deficit mattered because it could force interest rates up if it was accompanied by strong demand for credit.

ASIA-PACIFIC NEWS DIGEST

Anger grows at maid's hanging

Singapore's government yesterday lodged a strong protest over the burning of its national flag in the Philippines following the hanging of a Philippine maid in Singapore last week. Philippine leftists announced plans for nationwide demonstrations and urged Filipinos to boycott Singaporean products to show outrage at the execution.

Singapore's Foreign Ministry summoned Ms Alice Ramos, the Philippine ambassador, to make clear its displeasure at Monday's flag burning in Davao City, 960km south of Manila, which was witnessed by Mr Rodrigo Duterte, mayor of Davao. "While the government of Singapore is aware that the Mayor of Davao City did not himself set fire to the flag, it is shocked and outraged that he allowed the flag burning to proceed," the statement said.

The tension between the two members of the Association of South-East Asian Nations followed the execution in Singapore last Friday of Flor Contemplacion, convicted of two 1991 murders. Countless Filipinos remain convinced she was innocent. The governor of Bulacan Province, which borders Manila to the north, yesterday ordered banners erected at the provincial capital telling Singaporeans they were unwelcome. Airline industry officials say many Manila travel agents are refusing to handle bookings for Singapore Airlines.

Philippine President Fidel Ramos urged a return to "sanity and sobriety" over the incident and accused opposition politicians of exploiting the case in advance of national elections on May 8. AP, Manila and AFP, Singapore

Malaysia toxic dumping probe

Malaysian police launched an inquiry yesterday into the beachside dumping of 41 drums of highly toxic potassium cyanide that experts said had enough lethal power to kill 7m people. Authorities ordered an immediate freeze on the sale of fish in the northern island of Pangkor after thousands of fish reared at a nearby farm were found dead from possible contamination.

A full-scale investigation is under way into the dumping. We are awaiting a report from the Department of the Environment to decide on the next course of action," said a spokesman for Mr Law Heng Ding, environment minister. Describing the dumping as a "serious crime", Mr Law late on Monday announced the discovery of the 50kg drums. The rusting, dented containers were found near three fish farms on the north-east coast of Pangkor. Police detained a 31-year-old man who was believed to have obtained a M\$16,000 (US\$5,500) contract to dispose of the toxic substance, which was brought in from a factory in the northern industrial belt of Butterworth Town. AFP, Kuala Lumpur

Another Fiji minister quits

A second senior minister resigned from the Fiji cabinet yesterday amid an apparently growing crisis in the government of Mr Sitiveni Rabuka, prime minister. Mr Miltoni Lewenigila quit as labour minister without any public explanation while Mr Rabuka was grappling with the resignation on Monday of Mr Harold Powell, tourism and civil aviation minister.

Political observers believe Mr Lewenigila's sudden decision to quit may be linked to a government decision to re-introduce a counter-inflation wage order imposing statutory controls on civil service pay increases.

The cabinet had shelved the move in January following a submission from Mr Lewenigila but without the concurrence of Mr Berenado Vunibobo, finance minister, who is understood again to have persuaded the prime minister to go ahead with the wage order. AFP, Suva

MasterCard for Vietnam

Communist Vietnam took another step on the road to modern banking when an international card company said that four Vietnamese banks would issue the country's first credit cards. MasterCard International said it had licensed three banks as members of its network and one as an affiliate and they would start issuing cards in Vietnam shortly. "I'd be surprised if three years from now there are not 30,000 cards in this country," said Mr Donald Van Stone, its general manager for south-east Asia.

About 400 businesses, mostly in the travel and tourism industry, accept MasterCard at present and that number would quickly grow to 1,000, Mr Van Stone added. Competitors such as Visa also have outlets in Vietnam which accept their cards or issue cash against card payment, but they are used by visitors with cards issued elsewhere. MasterCard will be the first cards issued locally. "It's a step in the right direction," said a western bank manager in Hanoi. But "a modern banking system depends on other operations such as automatic teller machines and a clearing system". Reuters, Hanoi

Kashmir blast kills 10

An Indian brigadier and nine soldiers have died in a landmine blast staged by suspected Moslem rebels in one of the worst attacks on troops in Kashmir, the Press Trust of India said yesterday. Brigadier Venugopal Sridharan, 49, and his troops were killed in the frontier town of Uri, near the Pakistani border, late on Monday when their vehicle hit the remote-controlled mine, an army spokesman said in Srinagar, Kashmir. No militant group has claimed responsibility for the attack, which also claimed the lives of two civilians. Brig Sridharan is the second senior army officer to have been killed since 1990 when Moslem militants stepped up their secessionist drive in the divided state of Kashmir, India's only Moslem-majority province. AFP, New Delhi

Chinese move food mountains

The Chinese Business Times yesterday described China's statistics for consumption of foodstuffs and utilisation of services as "mind-boggling". Each day, 1.2bn Chinese consume 60m kg of pork, 10m kg of edible oil and 750m kg of grain. They buy 60,000 television sets and 100,000 watches. They receive 15m letters, 50m newspapers and 6m magazines. Nearly 60,000 babies are born each day, adding 16m to the population annually. Shi Jumbo, Beijing

■ Mr Sheu Yuan-dong, Taiwan's newly appointed central bank governor, yesterday ruled out any immediate change in current monetary policy or the need to raise interest rates in the short term but said the island needed to reform its tax system to attract foreign investors. Reuters, Taipei

■ Hong Kong's inflation rate eased to 2.9 per cent in February, against January's 10.1 per cent, the Statistics Department said. AFP, Hong Kong

■ Singapore's February non-oil domestic exports grew 31.1 per cent in nominal terms from a year ago. But economists pointed out seasonal distortions caused by the Chinese New Year. Reuters, Singapore

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JYSKE BANK

US fights to keep Unicef top job

By Michael Littlejohns at the United Nations, New York

The US and European countries have clashed over the appointment of an executive director for the United Nations Children's Fund.

The voluntarily-financed agency which spends more than \$1bn a year on aid for women and children, mainly in the Third World, has been headed by an American since its inception in 1946.

The Clinton administration wants to retain the high-profile post for its own nominee. But Dr Richard Jolly, the Briton who has been acting director since his chief Mr James Grant died of cancer in January, said last night many members believed it was time for a nationality change.

Britain supports Dr Jolly's candidacy, while Belgium has proposed Ms Anne-Marie Lizin, a Belgian politician. The other EU members are lining up behind Ms Elisabeth Rehn, who lost her bid for the presidency of Finland last year.

Mr Boutros Boutros Ghali, the UN secretary general who must make the appointment in consultation with Unicef's executive board - now in session - is known to favour a woman for the post. This is why the US is expected to withdraw its nomination of Dr William Foege, a public health specialist who was one of the scientific team that eradicated smallpox.

A former New York Democratic politician, Ms Carol Belamy, now director of the Peace Corps, and Ms Catherine Bertini, director of the UN's World Food Programme, are both mentioned as potential US substitutes.

While the US is the largest single donor to Unicef, accounting for about 15 per cent of funding, Dr Jolly said European countries provided more than two-thirds of Unicef's income.

Once the UN's most admired agency, Unicef has lately been tarnished by corruption in its Nairobi office and auditors' reports of sloppy management.

Algeria's troubles come in bunches

Excessive banana imports plague a civil strife-torn economy, writes Roula Khalaf

Ask an Algerian what is wrong with his country's economy and chances are he will mention bananas. There are mountains of them around. They hang from stands in food markets and from the windows of grocery stores. They come from all corners of the earth, including Colombia and the Ivory Coast. They all look the same but range in price from 150 dinars (\$2.17 at the official exchange rate) to 300 dinars.

What puzzles many Algerians is that in a country rocked by violence, struggling both economically and politically, and unable to pay its debts, International Monetary Fund-sponsored liberalisation measures are allowing the limited amount of foreign currency available to be used to import bananas. And all this in a country that grows its own.

Officials say they have no idea how many bananas are imported or what the local pro-

duction is, but bananas have become a symbol of Algeria's historically twisted trade, which is at the heart of the country's economic ills.

Average monthly income is about 3,000 dinars and 50 per cent of Algeria's young are unemployed - but the popular markets in the capital are a culinary paradise boasting expensive imported kiwi fruit, anchovies, canned mushrooms and even capers.

The explanation begins with the 1970s, when Algeria's oil wealth was sunk into an ill-fated industrialisation policy to the detriment of the agricultural sector. The result was a period of austerity that left Algerians bitter and deprived of many food items and household goods.

In the early 1980s, Mr Chadli Benjedid, the then president, promised a better life and directed the country's oil earnings as well as borrowings towards imports.

Algeria's corrupt state importers and black market speculators then set about importing what they could buy cheaply and sell expensively. Such as bananas.

The serious consequences are evident in Algeria's balance of payments account. The \$8.6bn of foreign currency receipts derived from the hydrocarbon sector last year, for example, failed to cover the \$9.1bn of merchandise imports, 30 per cent of which are food items. The debt servicing bill of \$7bn, meanwhile, was paid through debt reschedulings and new borrowings.

The government, under the guidance of the IMF, last year liberalised imports in the hope that opening up the market to private sector competition would drive some importers to invest their funds in more productive ventures.

At the same time other economic reforms are designed to encourage state companies,

which make up 65 per cent of production but are operating at just 50 per cent capacity, to increase local production with easier access to imports of equipment and raw materials. It is hoped that this, in turn, would boost exports and reduce the country's reliance on food imports.

However, liberalisation measures take time to translate into results. For now, competition and access to the government's foreign currency are driving yet more speculators to import bananas.

"I think there is something wrong with borrowing money so we can eat bananas," says a former official. "But then there are fortunes that are made in the banana business."

Part of the problem lies in the quick pace of the IMF reforms. In a single year, Algeria has lifted price controls, reduced tariffs and allowed private sector imports of practically all items.

On the other hand, liberalisation has done wonders in the case of sugar, for example. Sugar was sold at below world prices and imports exceeded local demand, allowing Algerians to resell it in Morocco. With the price liberalised, the incentive for resale disappeared and imports fell.

Mr Ali Hamdi, a member of the council of ministers, believes liberalisation will eventually regulate the market. "We can't ask for one thing and its opposite as well," he says. "Prices of bananas will go down eventually as competition increases and people start investing the foreign currency in something else."

Mr Ahmed Benbitour, Algeria's minister of finance, says opening up the market and breaking the monopolies is the first step towards reform. "We need to put in new systems. It takes a while for this to translate into higher production and higher capacity."

INTERNATIONAL NEWS DIGEST

Kuwaiti MPs back oil strike

Six Kuwait opposition members of parliament said they backed an oil production and export workers' strike that entered its fourth day yesterday. Five of the six attended a meeting by 500 strikers at Kuwait Oil Company Labour Union offices on Monday evening in the KOC township of Ahmadi, south of Kuwait City. The five, a mixture of independents and Islamists, made general expressions of support and said the strikers had justified grievances. The sixth, a liberal, sent a fax to the meeting expressing support. Three of the men are members of parliament's finance and economic affairs committee. The union called out hundreds of members on strike on Saturday to try to halt production and exports to back demands that promotion be made easier for oilmen with long service. KOC says the strike is illegal and has failed to stop output. Many members of the 50-seat parliament want more oil sector jobs to be given to Kuwaitis. Kuwaitis hold about 68 per cent of all oil industry jobs, with the remainder held by mainly Asian expatriates generally paid at cheaper rates. *Reuters, Ahmadi*

Nigeria founds petroleum fund

Nigeria's military regime yesterday inaugurated the board of the Petroleum Trust Fund, set up by decree last November. It is to be headed by former military head of state Muhammadu Buhari who will report directly to Gen Sani Abacha, the head of state. The fund, which has been criticised by western donors and Nigerian economists as superfluous and unaccountable, has annual revenue of N81bn (\$520m), which is 17 per cent of the total government budget to be spent on "social infrastructure projects". The revenue comes from the sharp increase in the official price of fuel last October. The fuel price rise was justified by the need for more investment in Nigeria's state-run oil refineries and distribution system which have been near to collapse several times in the past year. But the fund will channel the revenue toward social and infrastructure projects in such sectors as roads, railways, education, and health. Critics point out that the fund is likely to be a barrier to agreement between Nigeria and the IMF. *Paul Adams, Lagos*

US offers Jordan debt write-off

Mr Al Gore, US vice-president, yesterday promised Jordan that Washington would write off all Jordanian debt to the US government this year despite some domestic opposition. "Jordan has taken great risks for peace and the United States will demonstrate by its actions that we are by Jordan's side, now and in the future," Mr Gore said in a speech soon after arriving in Amman. "We are committed to full debt forgiveness in 1995 and we will meet our commitment." Mr Gore's overnight visit set the stage for a meeting between King Hussein and President Bill Clinton in Washington next week. *Reuters, Amman*

35 die in Tajik border clash

Russian border guards yesterday killed 35 armed men trying to cross into Tajikistan from Afghanistan, Russian officials said yesterday. The incident is likely to jeopardise efforts by the Tajik government, which is backed by the Russian military, and the exiled opposition, which has been harrying the government from bases in Afghanistan, to extend a 1994 ceasefire. Border clashes are expected to intensify as the spring thaw gives the opposition forces more mobility in Tajikistan's mountainous border region. *Christy Freedland, Moscow*

Frenkel claims victory on monetary policy front

Israel's bank governor defends interest rate cut

By Julian Ozzanne in Jerusalem

Mr Jacob Frenkel, governor of the Bank of Israel, yesterday hit back at critics who said this week's 1.5 per cent cut in interest rates would undermine the central bank's 16-month long battle against inflation.

He warned that the battle against high inflation was far from over, and said the bank was determined to resist pressure from the government and business for further cuts.

"All the analysts and all the statistics of monetary aggregates and credit suggest we have been overly cautious," he said in an interview. "The message is that the anti-inflation fight will continue in a vigorous way and we will not get over-excited with the fact that inflation in the first two months of this year has registered less than 0.2 per cent a month."

Mr Frenkel said the government package had allowed the central bank to make a greater cut in nominal interest rates than he had planned. "We were

able to make this cut because we saw the government is now supporting restrictive monetary policy by budget cuts," he said. "This also points to a very positive long term strategy of reducing government expenditure as a proportion of GDP, cutting the fraction of income which government takes in taxes and heading towards a situation which recognises that money left in the hands of consumers, producers and entrepreneurs is put to better use than if it goes to the government."

On Sunday, the cabinet finally caved in to the central bank and approved a Treasury proposal to reduce the annual budget and tax base by Shk1.2bn (\$235m) each. The central bank immediately announced a reduction in interest rates charged to commercial banks from 16.3 to 14.8 per cent.

Mr Frenkel said the government package had allowed the central bank to make a greater cut in nominal interest rates than he had planned. "We were

able to make this cut because we saw the government is now supporting restrictive monetary policy by budget cuts," he said. "This also points to a very positive long term strategy of reducing government expenditure as a proportion of GDP, cutting the fraction of income which government takes in taxes and heading towards a situation which recognises that money left in the hands of consumers, producers and entrepreneurs is put to better use than if it goes to the government."

Mr Frenkel said the government package marked a turning point in the fierce debate in Israel over monetary policy with a recognition that tight monetary policy had been vindicated. He said much of the criticism directed against the central bank had been based on a failure by businessmen and politicians to understand

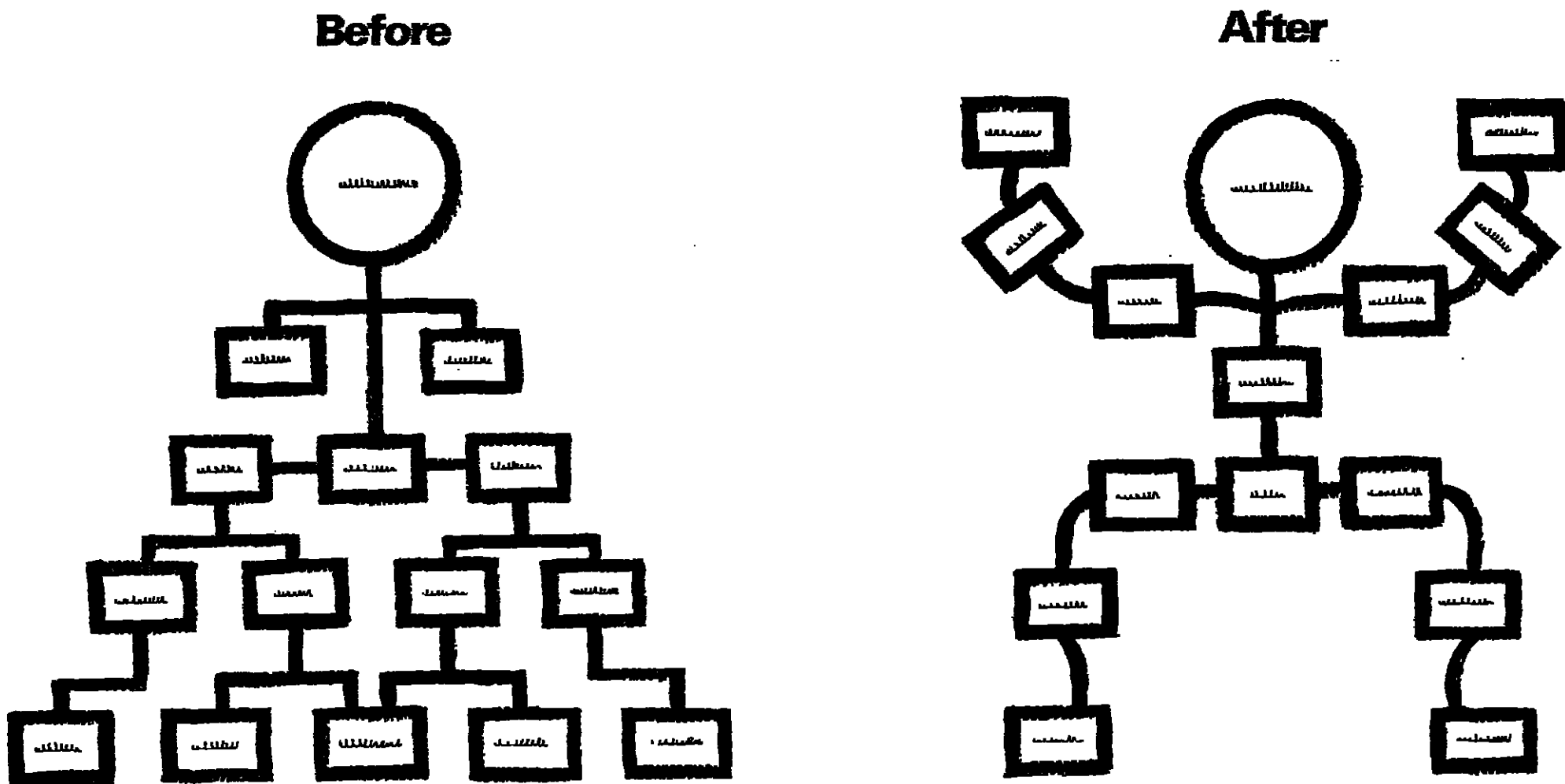


Frenkel: 'Analysts say we've been overly cautious'

the lag time involved in tight monetary policy and a real reduction of inflation.

"Yielding to short-sighted pressures by either interest groups or politicians is a recipe for accelerating inflation and we are going to continue to

resist any pressure and maintain the independence of the central bank," Mr Frenkel said. "But I believe there is a much better understanding of the necessity of tight monetary policy and on a strategic policy level that is a victory."



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NEWS: UK

● Slowdown in export growth to US and outside Europe ● Price rise reflects strength of D-Mark and yen

Import price rise prompts fears over interest rates

By Gillian Tett,
Economics Staff

UK companies are facing sharp rises in the cost of many imported products, exacerbating fears in the City of London that interest rates may rise further in the months ahead.

The increase in import prices, combined with a slowdown in export growth outside Europe after a surge last year, has reversed some of the recent improvement in the UK trade deficit.

The Central Statistical Office said yesterday that the UK trade deficit with countries outside the European Union,

which account for about half of UK trade, was a seasonally adjusted £343m (\$541.94m) in February - roughly the same level as in January.

This was considerably better than December's deficit, which had been affected by unusually high levels of imported artworks. However, it was worse than the deficits recorded last autumn, partly because of higher import prices.

Import prices, excluding oil and erratics, rose 5.3 per cent in the three months to February, compared with the previous three months, and were 8.4 per cent higher than the same period of a year before. Conse-

quently the value of imports rose by 5 per cent between December and February, despite relatively unchanging volume levels.

Although the price rise started in December, the sharpest growth has occurred since the start of the year, affecting almost all categories of goods. This suggests that it partly reflects the recent strength of the D-Mark and yen, which have risen by 10 per cent and 8 per cent respectively against sterling since the start of the year.

The figures also suggest that the pattern of UK export growth may be changing.

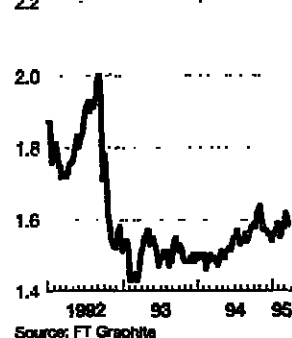
Although strong overseas sales of oil and diamonds left overall exports at record levels in February, remaining exports fell by 2 per cent, in volume terms, between December and February.

Some of this fall may reflect a slower pace of growth in the US economy. Exports to the US grew only 1.5 per cent between December and February. Exports to the buoyant economies of south-east Asia fell by 6 per cent during the period.

However, most economists expect this fall to be partly offset by higher European exports in the months ahead, with demand in Europe now rising.

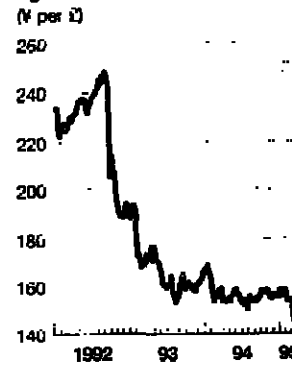
Sterling

Against the dollar
(\$ per £)

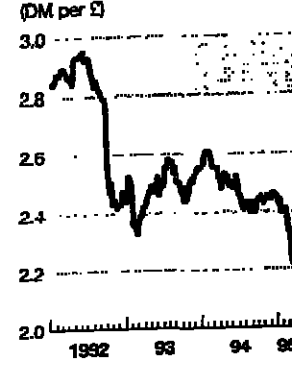


Source: FT Graphix

Against the Yen
(¥ per £)



Against the D-Mark
(DM per £)



Candidates line up for post at Bank of England

By Robert Chote

It is traditional that one of the top two jobs at the Bank of England should be occupied by an insider and the other by an outsider. But Mr Rupert Pennant-Rea's ignominious departure yesterday may lead to a break with precedent.

Observers inside and outside the Bank said it might prove difficult to find an external successor to Mr Pennant-Rea who would be of sufficient quality, but who would be content to play second fiddle to Mr Eddie George, the governor.

The leading internal candidates are thought to be the four executive directors of the Bank who occupy the positions immediately below the deputy governorship in its hierarchy.

Perhaps the most highly fancied is Mr Pen Kent, who is responsible for areas including financial markets, institutions and business finance. Colleagues say he has won a reputation as a troubleshooter, for example in the attempt to come up with an electronic share settlement system for

the stock market. Mr Kent has experience in the Bank's operations and has also proved adept at complex company rescues.

His main rival may prove to be Mr Ian Plenderleith, who is responsible for the Bank's operations in the foreign exchange and gifts markets.

His supporters argue that he is closer to the governor than Mr Kent. His detractors say his experience has been limited.

Mr Mervyn King, the Bank's chief economist, is said to have seen himself as a candidate for the deputy governorship when the job last came up. But Bank insiders say that his key role in compiling the quarterly inflation report means that he would be difficult to replace if promoted.

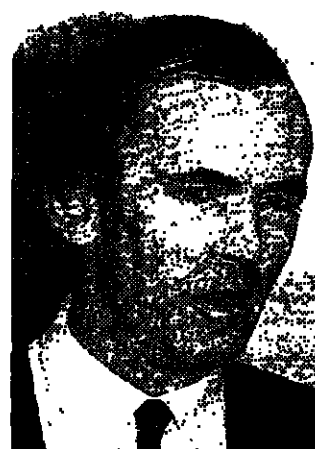
The final executive director is Mr Brian Quinn, who is responsible for banking supervision. He is thought an outside bet because he is nearing retirement and because, as one former Bank official put it, he has been in charge of banking supervision "not during one of its most glorious periods".

Only the British can combine prudence and puritanism so deftly. I do not know how well Mr Rupert Pennant-Rea did his job as deputy governor of the Bank of England.

His appointment two years ago ruffled feathers among proud insiders at this august institution. His responsibility for the Bank's internal reorganisation did not win him many friends. On the other hand, Mr Eddie George, the present governor, does not have a reputation as the easiest man to work with. And before this weekend's disclosures about his private life, no one suggested that Mr Pennant-Rea was incapable or incompetent.

So his resignation can be blamed on nothing else but the publicity surrounding his extramarital affair with a American journalist, Ms Mary Ellen Synon. This affair, lasting three years and ending a year ago, disqualifies him apparently from deciding how best the bank should deploy its resources or how better it might supervise the City's financial institutions.

Why? Apparently the consensus is that he did the right thing. There was one respectable reason for his departure. It was probably the only way that Mr Pennant-Rea could



Mr Rupert Pennant-Rea, deputy governor of the Bank of England.



Ms Mary Ellen Synon, American-born journalist.

shield his wife and family from the relentless pursuit of the press. As for the rest, the explanations are breathtaking in their hypocrisy, infused by an attitude to sex which belongs to adolescent awakening behind the playground bike-shed. Mr Pennant-Rea, on this analysis, had made the Bank a laughing stock. Now that the world knew the details of his torrid affair, it would be impossible for others to take him seriously about those important meetings about the future of Barings or the level of interest rates.

His most heinous crime

American-born Ms Synon yesterday told Irish radio listeners that she and Mr Pennant-Rea had been "head over heels in love".

She added at the end of the affair: "If you are going to dump, don't dump a financial journalist. If you are the deputy governor of the Bank of England, that's dumb."

She claimed Mr Pennant-Rea had "turned vicious and extremely nasty" when they broke up. "And nothing could be uglier than an Irish-American financial journalist who has been badly treated by the deputy governor."

Synon certainly thinks so. But the rest of us have no way of judging how well or badly Mr Pennant-Rea behaved: or of concluding that his personal behaviour disqualified him from his job.

As for suggestions that the affair involved misuse of a chauffeur-driven car or breaches in Bank security, these are simply guff. The charges are made only to give newspapers a public interest defence if they are held to account for their intrusions.

No it was the sex, and in particular, the offbeat sex, that did for Mr Pennant-Rea. It would have been perfectly all

right, one senior representative of a tabloid newspaper assured me yesterday, if the love-making sessions had been confined to a smart Mayfair hotel. But sex in someone else's office was, well, tacky. At once repressed and salacious, the British have strong views on the proper conduct of extramarital affairs.

It is tempting to blame Mr Pennant-Rea's departure on the ill-fated Back to Basics campaign launched, and just as quickly dropped, by Mr John Major's government two years ago. After all, extramarital sex never used to be a disqualification for high office. It is true that Mr Major's ill-judged attempt to enrol his administration in the moral majority has claimed a string of ministerial victims. The latest casualty was Mr Robert Hughes, the public service minister, who resigned just a few weeks ago after admitting adultery. The deeper truth, however, is that Back to Basics simply gave the media an opportunity to tap a flaw in our national psyche. The British are fascinated by sex. They cannot read or hear enough about it. But most are also frightened by it. So they exact revenge on those who are not.

Philip Stephens

MPs gasp at news of executive's 'little' jobs

Financial Times Reporters

The £293,750-a-year chief executive of electricity generator PowerGen yesterday surprised MPs investigating pay for senior executives when he told them he had three other "little" jobs paying him £26,000-a-year (£67,000).

Mr Ed Wallis drew gasps of disbelief from some MPs on the House of Commons employment committee when he pointed out that he did the extra jobs in his "own time". He earns £17,000-a-year from the British Standards Institute, £10,000 from Mercury Asset Management and £9,000 from the German electricity generator EWE. "It is useful experience for me," he said. "It is all done in my own time."

Mr Wallis, 55, received PowerGen pension cost payments of £53,000 last year. He told MPs he also has share options worth £332,000. Ms Angela Eagle, Labour MP for Wallasey, pointed out after the committee hearing that Mr Wallis earned more from his "little" jobs than an MP's annual salary of £23,000. "They condemn themselves out of their own mouths," she said.

The MPs were told during the committee hearing that up to a quarter of the workforce of PowerGen could lose their jobs in a new voluntary redundancy scheme. Sir Colin Southgate, chairman of PowerGen, said that "as many as one thousand" and "a minimum of 700 to 800" jobs would be cut.

The select committee was also told that PowerGen is to give shareholders full details of directors' remuneration in its next annual report and accounts. Sir Colin said that fuller disclosure was the one major reform which should be introduced to help calm public concerns over bosses' pay. Full details were released to committee members yesterday including comprehensive share options details.

CONTRACTS & TENDERS

NOTICE FOR THE CONCESSION AND SHARE SALE TENDER

The Minister of Transport, Telecommunications and Water Management of the Republic of Hungary ("Minister") together with the State Asset Holding Company ("AV Rt.") announces the public tender in 60 days time for the nationwide and regional distribution and broadcasting of public service radio and television programmes, through the conclusion of a concession agreement and share purchase, in the territory of the Republic of Hungary under Act No. XVI of 1991 on Concessions, Act No. LXXII of 1992 on Telecommunications, Act No. LIII of 1992 on Long-term state asset management and utilisation, Minister Decree No. 25/1993 (XIX.) on the tender procedures for the telecommunication services concessions and the payable fees in connection thereto and Government Decree No. 11/10/1994. (XII.2.) on Privatization of "Antenna Hungaria" Hungarian Radio Communications Corporation ("Antenna Hungaria Rt.").

The planned share sale

AV Rt. hereby announces that in accordance with the requirements of Government Decree No. 11/10/1994 (XII.2.) and after the necessary capital increase, it wishes to sell part of the registered capital of Antenna Hungaria Rt. corresponding to 50%-v1 votes to a professional investor or group of investors.

Scope of the activity subject to concession: geographical and public administration unit set up for the purposes of the concession right.

The successful investor or the group of investors winning the tender will be entitled to provide nationwide and regional distribution and broadcasting of public service radio and television programmes in the entire territory of the Republic of Hungary as defined in Section 3 subpara (1) (d) of the Telecommunications Act and to carry out all other activities defined in Section 5 subpara (4) of the Telecommunications Act.

Development targets of the concession

The purpose of the concession for the Government is to ensure under the concession agreement that the concession company provides, as its concession obligation, for the development and maintenance of the nationwide and regional distribution and broadcasting of public service radio and television programmes as required by the tender.

The concession company is obliged to initiate such infrastructure development as would guarantee the extension of the radio and television network and an increase in the level of the services.

The extension of the radio and television network should result in the provision of an identical distribution and broadcasting service to all inhabitants of the regions and the country by the dates determined by the relevant authorities.

The concession agreement provides for the development of the CCMR URH networks, the application of digital voice broadcasting, high-definition/widescreen televisions and other modern broadcasting methods and the introduction of digital transmitting technologies.

The development and maintenance of infrastructure to be provided by the concession company are to be used in the most effective way to provide broadcasting and telecommunication services which are not covered by the concession, but which could help to fulfill nationwide and regional telecommunication needs.

The Government intends to further strengthen the position of Antenna Hungaria Rt. in providing radio and television programmes: broadcasting and radio telecommunication services by introducing new technologies and new service methods.

A detailed description of the development aims will be included in the Invitation for the Concession and Privatization Tender and the Prospectus published at the same time.

Period of the concession right and its extension: exclusivity

The validity period of the concession agreement is 15 years which can be extended by seven and half years without a further invitation to tender, by the mutual agreement of the parties.

The successful investor or group of investors will be entitled to provide the nationwide and regional distribution and broadcasting of public service radio and television programmes for a period of eight years with exclusivity from the date of the coming into effect of the concession agreement concluded with the Minister.

Pre-qualification requirements

The investors or groups of investors intending to participate in the tender have to fulfil the following pre-qualification requirements.

The investor must:

- be an expert in the field of distribution and broadcasting, of sufficient capital means and well-known in his professional circle; if it is a group of investors at least one member of the group must meet this requirement and the members of the group will have joint and several liability.
- present as a reference at least one working radio and television distribution and broadcasting system which was established or operated by him.
- prove that in the course of the previous three business years no bankruptcy or liquidation process, was initiated against him and that there is none in progress.
- in the case of winning the tender prove that he can cover financially the payment obligations in the year of 1995.

Special rules concerning groups of investors

If a group of investors intends to participate in the concession and privatization tender, at least one member of a group of investors must meet the professional and financial requirements set out above, and all the members must meet the requirements concerning the bankruptcy and liquidation conditions set out above and the members of the group will have to provide a written statement concerning their joint and several liability.

Concession fee

The concession fee will be defined in the Invitation for the Concession and Privatization Tender.

Preliminary information concerning the main issues of the concession tender

The tender contains two steps: the investors or groups of investors intending to participate will have the opportunity to submit counter-proposals.

The Minister and AV Rt. will arrange a pre-bid conference for the investors and the date and other details will be announced in the tender.

The Minister and AV Rt. reserve the right to modify the conditions of the Notice for the Concession and Share Purchase Tender and Invitation for the Concession and Privatization Tender and the modified conditions will be announced at the latest at the pre-bid conference in the same way as the invitation for tender was published.

The official language of the tender is Hungarian.

Proposals of the consumer federations and interested professional associations

According to Section 4 subpara (4) of the Telecommunications Act the Minister hereby calls the consumer federations and interested professional associations to express their opinion and proposals in relation to the conditions of the tender and address them to the Minister of Transport, Telecommunications and Water Management (H-1077 Budapest, Dob u. 75-81.) within 30 days of publication of this Notice.

Investors or groups of investors intending to participate in the tender and who in their view meet the requirements of the pre-qualification can obtain the company description prospectus in the Hungarian language or - with a special request - in the English language, from the legal counsel appointed by the issuer of this Notice: Köves & Társai Clifford Chance, H-1075 Budapest, Madách Imre út 14., 268-1600; Fax 268-1610.

Information on the above is available from the following persons

Közlekedési, Hírközlési és Vízügyi Minisztérium

Távbeszélési Osztály

Takacs Kálmán főosztályvezető

1077 Budapest, Dob u. 75/81.

Tel: (36 1) 342-2788

Állami Vagyongazdálkodási Részvénytársaság

Infrastruktúra Portfólió

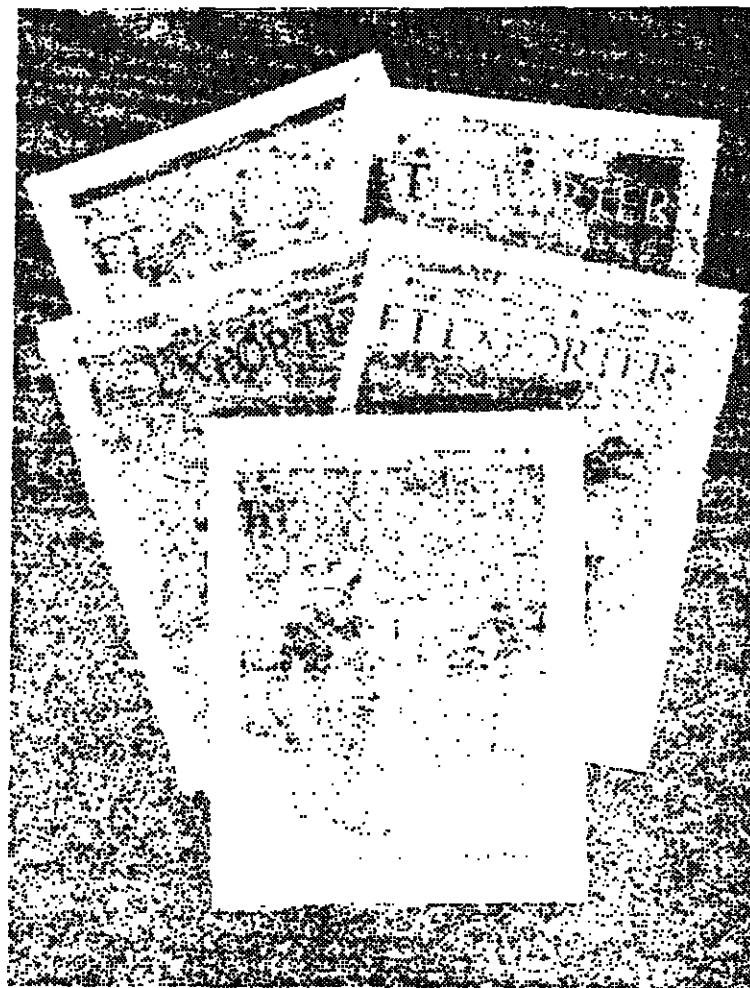
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FINANCIAL TIMES

FT EXPORTER



FT EXPORTER: Spring Issue - April 18th

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NEWS: UK

Orimulsion group aims at vast sales growth

By Michael Smith

The sole European distributor of Orimulsion, the controversial fuel, yesterday announced plans for a sevenfold increase in sales by the end of the century with most of the growth expected in the UK.

The company is Bitor Europe, an offshoot of Bitumenes Orinoco, the Venezuelan oil company which developed Orimulsion and which is itself a subsidiary of Petroleos De Venezuela, a state-owned company. The European company's ambitions will alarm companies and environmentalists concerned about its ability to displace UK

coal and its alleged effects on the environment and health. Environmental campaigners have described Orimulsion as "the world's filthiest fuel".

Opponents include Prudential, Britain's largest life insurer, which is suing PowerGen, the former state-owned generator of electricity. Prudential claims that PowerGen's burning of Orimulsion at Richborough power station on the Kent coast to the south-east of London is damaging crops on one of its farms. PowerGen denies the allegation.

Bitor Europe said yesterday it was on target to expand sales from 1.4m

tonnes in Europe last year to 10m tonnes by the year 2000. Orimulsion is a natural bitumen based in water. Sales next year are expected to be double the 1994 total.

Bitor's most significant opportunity lies with National Power which is seeking consent to modify the 2000MW oil-fired power station at Pembroke in south Wales to burn between 4m and 5m tonnes of Orimulsion a year from about 1998.

National Power plans to spend "several hundred million pounds" on fitting fine gas desulphurisation to allow it to generate electricity at Pembroke. The equipment would remove

94 per cent of sulphur dioxide emissions from the combustion gases.

Concerns remain about the health effects of Orimulsion plants' emissions. Some protesters including Dr Dick van Steens, a retired doctor, say it could increase the incidence of asthma. Pembrokeshire Health Authority is investigating the allegations, which Bitor denies.

Bitor Europe said an independent assessment of the environmental impact of burning Orimulsion at Richborough, carried out last year for Kent County Council, concluded there were no significant environmental problems. Bitor said that, compared

with coal, combustion of Orimulsion emits up to 50 per cent less nitrogen oxide which can contribute to acid rain; less dust, by a factor of four; 50 times less ash; and 20 per cent less carbon dioxide.

Even without fine gas desulphurisation, sulphur dioxide emissions are similar to those from higher-sulphur coals used in the UK, according to the company. Bitor was given a boost early this year when SK Power, the Danish utility, decided to burn Orimulsion at the 700 MW unit 5 at Asnæs power station on the island of Zealand. It will burn at least 1.1m tonnes this year.

Companies face prosecution over deaths at port

By Charles Batchelor, Transport Correspondent

Lloyd's Register, the 235-year-old organisation which vets the quality of much of the world's shipping, faces its first criminal prosecution over alleged breaches of health and safety law following the collapse of a passenger walkway in the port of Ramsgate in south-east England last September.

One of the most widely promoted ship launches of the last 30 years risks turning into a publicity disaster, Jimmy Burns writes. Pembrokeshire and Oriental Steam Navigation (P&O), the British shipping and property group, last night reluctantly confirmed that the arrival in Southampton of its new luxury liner, the Oriana, had been delayed by a week, forcing the postponement of a series of celebrations.

P&O was told on Monday by the Meyer Werft shipyard in Germany, where the Oriana was built, that the ship would be unable to sail on schedule. The testing of electronic systems had not been completed and some damaged high-tech propellers needed further repair and modification.

Mr Gwyn Hughes, managing director of P&O Cruises said: "This is causing us some domestic headaches but nothing more significant than that."

safety of passengers using the walkway." Lloyd's responded that it was "very surprised at this development." It believed it "had fulfilled its obligations with all due care and competence".

"Lloyd's has never before been criminally prosecuted for any alleged negligence in any area of its activity," it added.

One reason for the novelty of this action against Lloyd's is the fact that the HSE is not responsible for maritime safety where the company does most of its work. But the walkway is a shore structure.

Top Conservatives are told to watch for pitfalls PM seeks to avoid gaffes

By James Billz at Westminster

Mr John Major, the prime minister, yesterday moved to staunch the flow of gaffes and blunders committed by members of his cabinet by setting up a new committee that will co-ordinate the presentation of government policy.

As ministers continue to make conflicting comments on themes such as economic recovery and European integration, the prime minister announced the creation of a "ministerial committee on the co-ordination and presentation of government policy".

The group is to be chaired by Mr David Hunt, the minister for public service, who already chairs many cabinet committees on specific policy areas.

The other members will be Mr Tony Newton, leader of the House of Commons, Lord Cranborne, leader of the House of Lords, and Mr Jeremy Hanley, the Conservative party chairman. It is understood that some Downing Street officials

State of parties in the House of Commons

Conservative	320
Conservative rebels	9
Labour	270
Liberal Democrat	23
Welsh Nationalist	4
Scottish Nationalist	3
Northern Ireland MPs:	
Ulster Unionist	9
Social Democratic and Labour	4
Democratic Unionist	3
Speaker and deputies (non-voting)	4
Seats vacant because of MPs' deaths	2
TOTAL	651

including Mr Christopher Meyer, the prime minister's press secretary - may also be invited to participate.

Downing Street yesterday described the committee's role in the driest of terms, saying it would examine "longer-term issues of government policy," "set priorities for the govern-

ment," "co-ordinate policy" and ensure that "things lock together."

A more blunt description of its role might be to prevent ministers slipping on any more political banana skins.

In recent weeks, the government has stumbled over more than a few. Mr Hanley ran into trouble last week by claiming that Labour councils were "corrupt." Mr Kenneth Clarke, the chancellor, produced a series of gaffes, including a statement that the "feel-good factor" might not make itself felt before the next election.

Mr John Major's working majority in the House of Commons has been reduced further by the death of Mr James Kilfeather, the only MP in Northern Ireland's Popular Unionist party and a staunch supporter of the Conservative government. Sir James, who was 66, first entered parliament in 1964.

Sir James died of a suspected heart attack on a train between London and Gatwick airport.

UK NEWS DIGEST

BT accused of unfair competition

British Telecommunications, the dominant UK telecoms operator, has been accused of damaging competitors by selling fixed-line telephone equipment - handsets and fax machines - to domestic customers and small businesses at less than cost price.

The suggestion came from four UK rivals - Audioline, one of the larger suppliers of fixed and cordless telephones in the UK, Amstrad, the consumer electronics company which makes telephones and facsimile machines, and two smaller equipment manufacturers, Geemac and Betacom. The suggestion is that BT is cross-subsidising its telephone equipment business from its profitable services operations - a practice forbidden under the terms of its licence.

Mr Don Cruickshank, director-general of OfTel, the telecoms regulator, yesterday announced a three-month investigation into BT's allegedly anti-competitive behaviour. Other complaints being studied by OfTel are that BT refuses to stock non-BT branded equipment in its shops and will not rent out non-BT branded equipment. If the allegations are proved, Mr Cruickshank could take actions ranging from ordering BT to change its practices to referring it to the Monopolies and Mergers Commission.

Alan Cane, Industrial Staff

Managers urged to spot stress symptoms

A leading organisational psychologist said yesterday that managers should be more aware of the symptoms City dealers display under pressure "before they burn out or make a big mistake."

Prof Cary Cooper of the University of Manchester's Institute of Science and Technology, and co-author of the book *Stress in the Dealing Room*, said such symptoms could include a lack of concentration, a loss of sense of



humour, withdrawal and unusual dealing behaviour. "The pressures of those jobs are enormous - there are a lot of people who could use some support."

He said the technological changes which had made 24-hour trading possible, and the "information overload" confronting traders, meant that the pressures on many dealers were "just too great". The London International Financial Futures and Options Exchange this week said it was considering introducing a welfare programme for its staff and members to address the health hazards arising from their work environment.

Conner Middleton

Courtaulds to set up works council

Courtaulds Textiles, the UK clothing group, has decided to establish a consultative works

council for all its 20,000 employees in the European Union. Negotiations are expected to begin shortly between the company and trade unions in the UK, France, Germany and Spain on the details of the new consultative body.

Mr John Billing, management services director, said yesterday he was ready to enter into talks with the textile, leather and clothing committee of the European Trade Union Confederation over the creation of the proposed works council.

The Courtaulds' decision reflects an increasing move towards creating consultative and information committees by European transnational corporations as a result of the new European Union directive.

Although the UK government secured an opt-out from the provisions of the EU social chapter under the 1991 Maastricht treaty that covers the new directive, it appears many UK companies believe they should establish the new bodies for all employees across the EU.

Under the EU legislation, companies have until September 1996 to create their own works councils. After that date they would have to introduce ones based on a model laid down in the directive.

Robert Taylor, Employment Editor

Computer glitch affects lottery cards

Camelot, Britain's National Lottery operator, yesterday suffered its first embarrassing glitch when a computer software fault forced it to withdraw millions of scratch cards hours after their launch. The £1 (\$1.58) scratch cards with prizes ranging from £1 to £50,000 have to be swiped through a validation machine before they are sold to the public to prevent theft. As more and more cards were sold, the validation system, which had worked perfectly in trials, began operating so slowly that it was impractical to continue selling the cards. Software engineers are now trying to locate the fault and see what changes are necessary. The validation machines are supplied by CTEC, the US lottery equipment manufacturer, which is also a member of the Camelot consortium. Raymond Snoddy

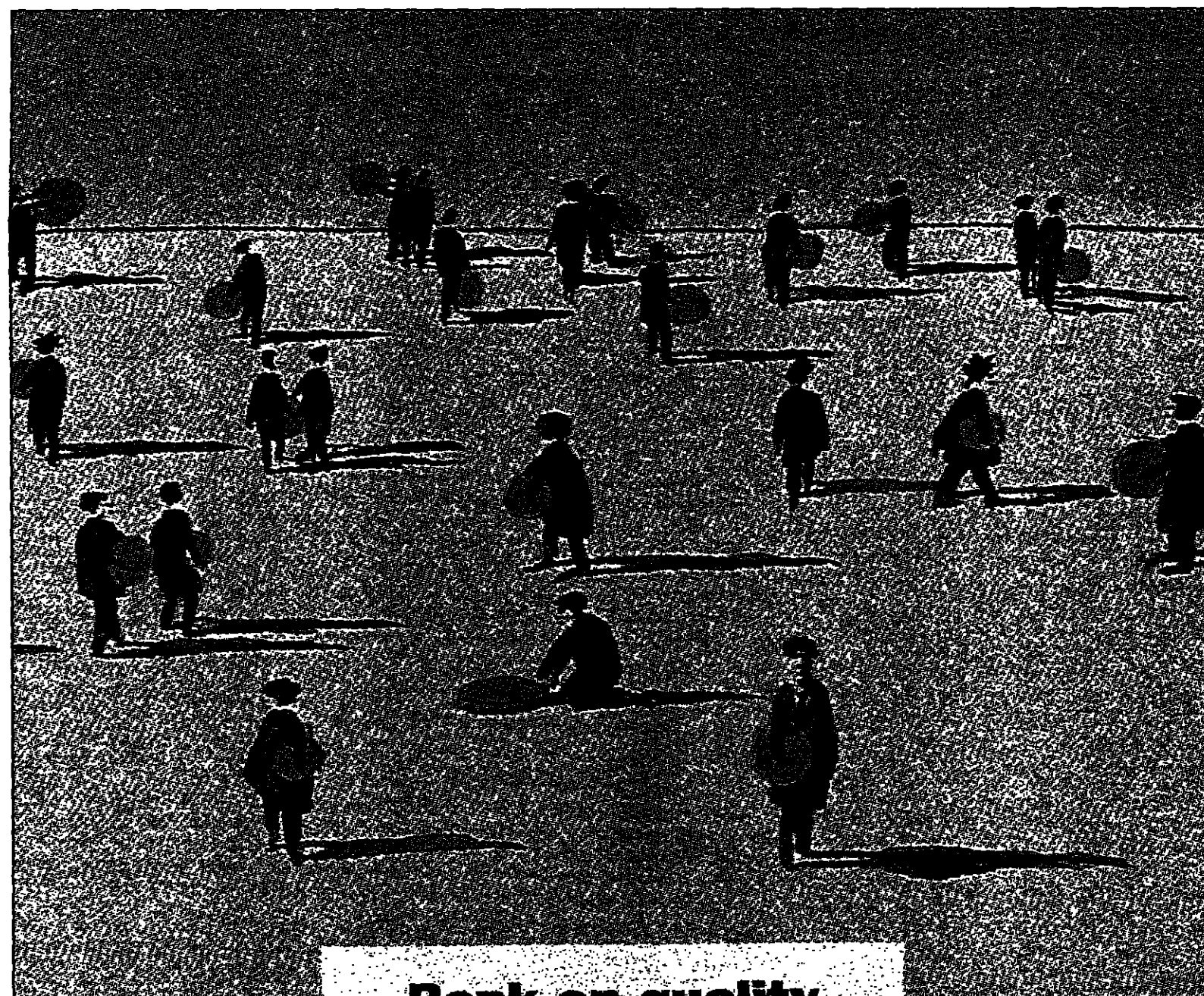
Truck crime grows

Some 70 per cent of the UK's 65,000 haulage companies are victims of truck crime, which costs a total of about £1.6bn a year, says a survey published yesterday by the Road Haulage Association and the Royal Automobile Club. The survey found there were four times as many truck crimes in the UK as previously thought, with nearly half of all hauliers claiming to have been hit by an average of five truck crimes in the last year alone. PA News

Shopworkers under attack: Violence against shopworkers is continuing at "appalling levels" despite growing prosecutions by store owners, said the Health and Safety Executive. Workers at liquor stores, garages and newsagents were among the most vulnerable to attack, it added.

"Green" demonstrators held: Four people were arrested after chaining themselves to the doors of a government department in protest at oil exploration at an important marine wildlife site in south Wales. Police used bolt cutters to remove the four from the Department of Trade and Industry in London. The protesters were trying to block what they called a "sordid auction" in oil and gas licensing for development of the Welsh sea bed.

Court told of obsession: A man accused of murdering his girlfriend after she ended their relationship was obsessed by film star Arnold Schwarzenegger and was nicknamed "Arnold" by work colleagues, a court in Norwich in eastern England was told. Postman Shaun Thrower, 22, was fascinated by guns and collected Schwarzenegger videos, the court heard. Mr Thrower denies murdering Amanda Wagg, 17, but pleads guilty to manslaughter on the grounds of diminished responsibility. Consultant psychiatrist Dr Henry Kennedy said Mr Thrower's obsession with Schwarzenegger was "significant" to the case.



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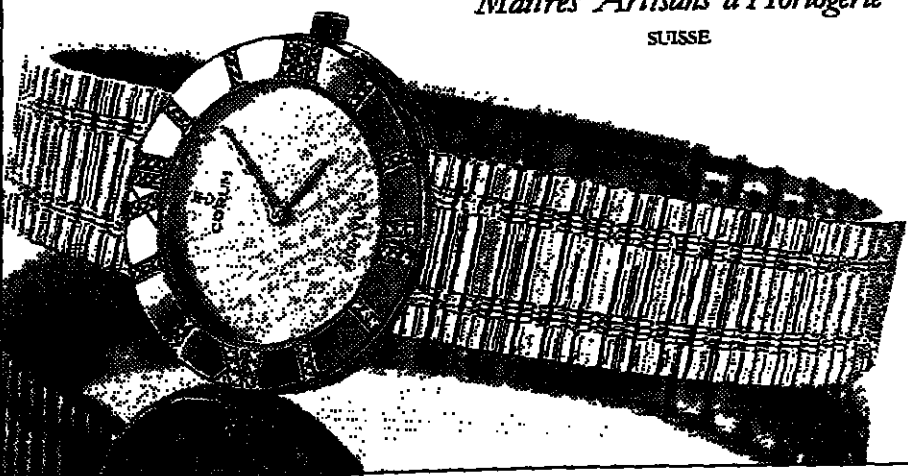
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BUSINESS AND THE ENVIRONMENT

David Lascelles was one of a team attempting to assess the risk rating of electricity generator Scottish Nuclear

Balance of power

It was a stormy morning in December when ten people stepped out of a coach at Hunterston nuclear power station, south of Glasgow. They had arrived to conduct an experiment: an environmental risk rating of the station's owner, Scottish Nuclear.

The company, which is state-owned and generates half of Scotland's electricity, had offered itself as a guinea pig to see if an environmental risk rating - much discussed in financial circles, but little tested - was a practical way of measuring a company's environmental condition. The experiment had been put together by the Centre for the Study of Financial Innovation, an independent London-based think tank which specialises in new ideas in the finance business.

The team, of which I was a member, included experts in nuclear technology, risk assessment, environmental auditing and financial analysis. For several months we had been researching the background to the company, and this was the opportunity to see the plant for ourselves and interview management.

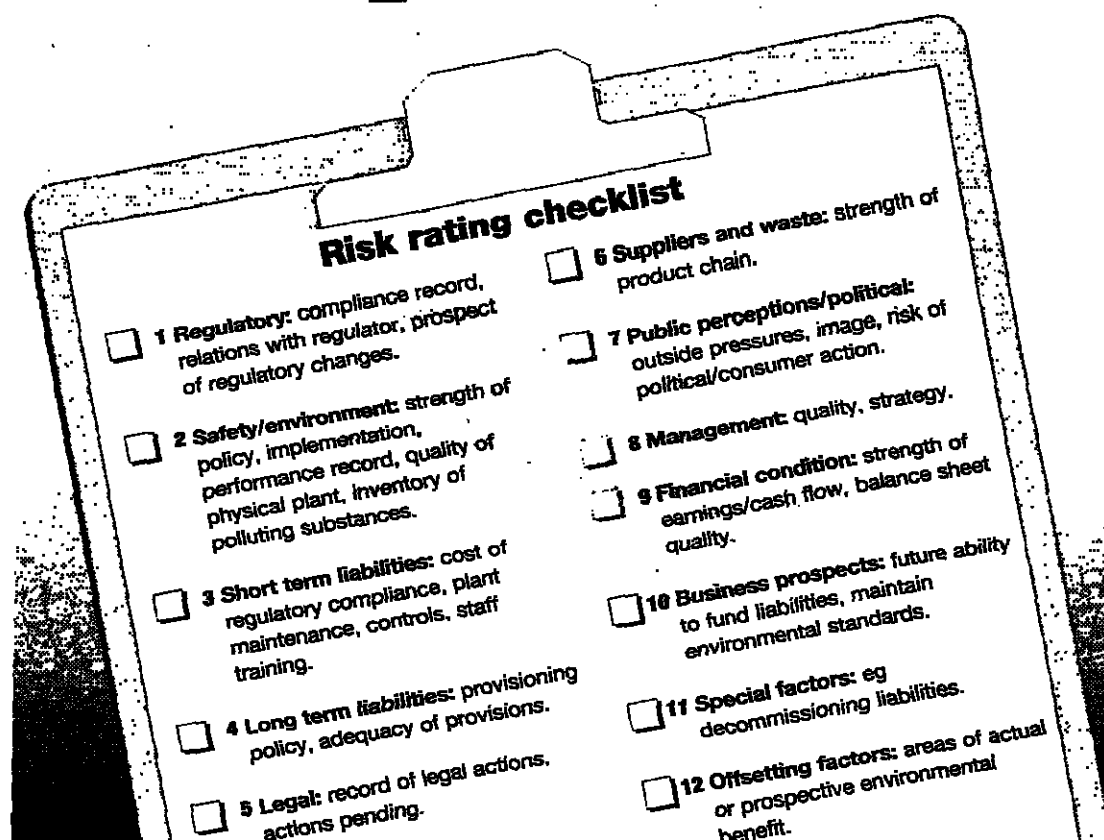
Our task was not to measure how "green" Scottish Nuclear was but to assess its capacity to manage its liabilities and generate sufficient cash to keep them properly funded. Our report would be for the City rather than Greenpeace. We knew that Scottish Nuclear had large environmental costs: thousands of tonnes of radioactive waste and three nuclear power stations which would have to be decommissioned and cleaned up. The question was: did these liabilities pose any risk to future lenders or investors in the company?

It was an ambitious project, also potentially sensitive politically because the government was in the process of reviewing nuclear policy to see whether Scottish Nuclear and its English sister, Nuclear Electric, should be privatised. The issue of financial risk was therefore paramount.

We had begun our analysis by looking at the obvious sources of risk: pollution, toxic substances, safety procedures, and the quality of physical plant and control systems. Although the risk potential was enormously high, the technical specialists in the group concluded that Scottish Nuclear's equipment and controls were of a high standard and that the likelihood of accident was low.

We also examined the company's record on nuclear emissions and incidents. These showed that its safety record was also good, measured on the internationally accepted scale for nuclear incidents.

We then moved on to the more difficult issues of waste disposal and plant decommissioning. Although these are also technical matters to do with how radioactive



material is handled and sites rendered safe, the essential issue for us was a financial one. Did Scottish Nuclear have the resources to meet its liabilities in these areas?

To answer this question we had to form judgments about the strength of the business and its prospects. We also had to be sure that the estimates that Scottish Nuclear had made of the cost of waste disposal and decommissioning were realistic, and not likely to be increased, for example by an unexpected tightening of regulatory standards.

This was a difficult area for a number of reasons. On the radioactive waste side, the UK has no national policy and no final repository for all but the mildest forms. There is also still some uncertainty about the precise timetables which

the nuclear industry uses to calculate decommissioning costs. Thus, it was not possible to put firm limits on the extent of Scottish Nuclear's liabilities.

However, it seemed to us, based

'It will be up to the markets to judge whether such a rating is useful to financial decision makers'

on indications of the government's thinking, that decisions in all these areas were imminent, and that they would favour Scottish Nuclear's approach. In other words, there was a greater likelihood that the company had provided for its future

costs adequately rather than poorly.

The overall conclusion which we reached in our report was that Scottish Nuclear was "a modern, well-managed company with an excellent environmental/safety record". It had developed a sound business strategy and was well-placed to generate the cash needed to fund its environmental liabilities.

On the negative side, we were concerned by Scottish Nuclear's policy of reinvesting its provisions in the business rather than placing them in a separate fund. This meant that money might not be available to meet unexpected needs, for example a plant having to be shut down early for technical or other reasons. We also injected a note of caution about the regulatory issues which still needed to be resolved.

In the wider context, we noted that public hostility to nuclear could inhibit the industry's prospects, and there was a chance - albeit small - that another Chernobyl would bring growth to a halt. But we also concluded that privatisation would, on balance, be a good thing, because the government would have to remove all the uncertainties to achieve a successful sale.

In setting the rating itself, we identified 11 areas of potential risk, which we weighted and scored individually. There was also one area of potential environmental benefit: the possibility of a carbon tax on competing fossil fuels which would strengthen nuclear's relative position, though we thought the chances of this coming about were very small after the recent rumour over VAT on home fuel.

In the end, we assigned Scottish Nuclear the third best rating, an "A" on a seven point scale ranging from AAA to C. This reflected our judgment that Scottish Nuclear's liabilities, though large, were well-identified and under control. However, we thought that the financial arrangements for underwriting these risks were designed to meet only the most predictable liabilities. To earn the top rating, a company would have to be in a position to meet large unexpected costs, and spare its investors and bankers all nasty surprises.

We also concluded that Scottish Nuclear could qualify for a higher rating once the regulatory uncertainties had been cleared up. We were conscious, when we set the rating, that we were essentially trying to decide whether Scottish Nuclear was a safe investment, and the answer seemed to be yes.

Environmental risk rating is still in its infancy, and the methods we used will strike many as unsophisticated. But the purpose of the exercise was to see whether it could be done. Among the lessons we learnt was that environmental risk can be broken down into many constituent parts, and each can be analysed separately. Although nuclear activity carries special risks, we identified 12 such categories which could be universally applied (see table).

What was the value of the exercise? The report says that it will be up to the financial markets to judge whether such a risk rating is useful to financial decision-makers.

But we thought it highlighted aspects of a company "which are increasingly sensitive to the outside pressures of regulation and public opinion, in other words, forces which are to some extent beyond management control. It also touches on some of the longer-term aspects of a company's performance, which should help counter the tendency to short-termism which is so often decried in today's markets."

Fishing for farmers

Deborah Hargreaves on calls to double aquaculture output

When Canada seized a Spanish trawler in international waters off Newfoundland recently, it sparked a bitter diplomatic row over environmental protection for dwindling fish stocks and cast the spotlight once again on the problem of overfishing.

While Canadian mounties were boarding the trawler Estai, the United Nations' Food and Agriculture Organisation in Rome was calling for a large increase in worldwide fish farming capacity to supplement declining wild stocks of fish.

The world's aquaculture industry is already worth \$20bn and accounts for around 20 per cent of the overall fish harvest. But most of the fish produced are freshwater species - so far only five per cent of farmed fish live in saltwater.

The FAO estimates fish farming must double output in the next 15 years to 31m tonnes just to keep up with population increases. With 70 per cent of international fish stocks either depleted or near collapse, fish farmers could be forced to expand even more rapidly in coming years unless fish is to become an expensive luxury for future generations.

"Aquaculture has seen a huge growth in the past 10 years and we are likely to see quantum leaps forward with new technology," says Robin Welcomme in Rome, who heads the FAO's inland water resources and aquaculture service.

The world's fish farming industry is in its infancy and at a stage of development reached by agriculture several hundred years ago. It is a more expensive method of producing fish - costing up to 20 per cent more for western consumer fish - and suffers from a poor environmental record in some parts of the world.

Most fish farming occurs in south-east Asia where fish is a staple of the diet. China accounts for more than half of the output with most systems focused on producing carp on a low-intensive basis. India has had rapid success with the production of farmed prawns and shrimps for export.

Western countries such as Canada, Norway and the UK are leading the research into the

intensive production of high-value species such as halibut and turbot. Farmed salmon already accounts for around 60,000 tonnes of the UK's fish consumption.

The FAO expects rapid growth in global output of high-value species with developing nations looking to earn important export revenues from supplying western markets.

One big drawback to these species is that they are carnivorous and need to be fed high-quality fish meal. The problem is that you have to catch low-quality fish to produce high value species - the industry is looking for white fish that are herbivorous and appeal to a western palate," says Malcolm McAllister, marine farming manager at the UK's Sea Fish Industry Authority. McAllister is leading research into commercial farming of halibut in Scotland.

China's low-intensive methods concentrate on herbivorous fish, which are inexpensive to produce and rely on cheap labour, but mostly supply the local population. Other developing countries are looking to tilapia, a tropical white fish, which can grow quickly and is herbivorous, as an export earner. Jamaica supplies around 5,000 tonnes of tilapia to the UK and the US has started to import the species.

The FAO is trying to promote this type of fish farming in Africa and Latin America as a way for poor farmers to diversify and improve their profits.

Meanwhile, new technology is being developed to cut the cost of fish farming and to make it more environmentally-friendly. The Danish Institute of Aquaculture Technology has developed a water recirculating system for producing 200 tonnes of eel a year and is working on a similar project for saltwater fish.

The FAO believes aquaculture production can double in 15 years, but its recent report sounds a note of caution: "The challenge is formidable. Proper planning, environmental considerations, proper system management and disease control will have to play a more important role than at present if crashes in production are to be avoided."

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ARTS

Television/Christopher Dunkley

A long look at life in the close

One of the advantages of the print medium over television is that you know from the outset what sort of item you are dealing with: a two-paragraph news story, a 400-page novel. You cannot predict the quality but you can easily see the thing in its entirety before you begin so that you know whether to expect a terse factual report or a relaxed holiday read spread over several days. With television your expectations can be wrong. The zappy half-hour programme is now so common that anything which turns out to be longer and more relaxed is in danger of seeming slow and heavy. Two new series at the weekend faced this snag, one succumbing miserably and the other succeeding triumphantly.

MGM: When The Lion Roars is one of those programmes which sound as though they cannot fail: a three-part series looking at Hollywood's biggest studio "using classic clips, rarely seen footage, and interviews with studio employees". We may pretend to be superior to clip shows, but most of us find them as moreish as liquorice all-sorts. However, we should have realised the moment that Patrick Stewart appeared, complete with Hollywood staircase and lashings of dry ice, talking in portentous tones about "movie theatres" and "motion picture studios" that this was to be neither a simple indulgence like *That's Entertainment*, nor expert television history like Kevin Brownlow's *Hollywood*.

What we got instead was a turgid account of the early days of MGM which, despite its length (two hours) still managed to obscure as much as it revealed. It is 20 years since Kenneth Anger's first "Hollywood Babylon" book, so by now most of us have heard of the astonishing excesses - sexual,

alcoholic, financial, narcotic - in the early years of the industry. Yet this programme simply pretended it had never happened, reverting instead to the tinsel and glamour routine, all the old stuff about the dream factory. Even when they did manage to come up with something more interesting, such as Helen Hayes' description of Irving Thalberg collapsing in London, they left us hanging in the air asking "Then what happened?" Only masochists will watch episode two.

On the other hand it would be difficult to resist part two of *The Choir*. The first episode used its 80 minutes to great effect, drawing you into the atmosphere of a cathedral choir school with a fixity of purpose which could never be indulged in any of those slam-bang half-hour productions. The difficulty was in adjusting our assumptions to those of the drama, but director Ferdinand Fairfax and cameraman Brian Tufano made these clear pretty quickly. The opening shots inside the cathedral, showing the human individual in proportion to this amazing medieval architectural achievement, indicated the central importance of the building in the life of the close and, judging from the roof-leaking climax of episode one, within this narrative.

With all the self fulfilling hysterical bleating about "three minute culture" these days, it is important that television should continue to make longer and more lyrical dramas such as this. The sound of squealing tyres over a big close-up in an underground car park has become the staple of so many modern dramas that it is vital for television to remind us that other lives are still lived in other surroundings at different tempos. It was tempting at first to be impatient when the choral singing went on longer than seemed necessary for dramatic reasons, but then you realised

that the anthem is as much the product of this community as, say, microchips are of Silicon Valley. Such considerations would, of course, be pointless unless the story and the acting were powerful enough to sustain our interest, but Joanna Trollope's book (and the expert dramatisation by Mr J.T., better known as television dramatist Ian Curteis who wrote *Churchill And The Generals* and so on) and splendid casting seem to take care of that.

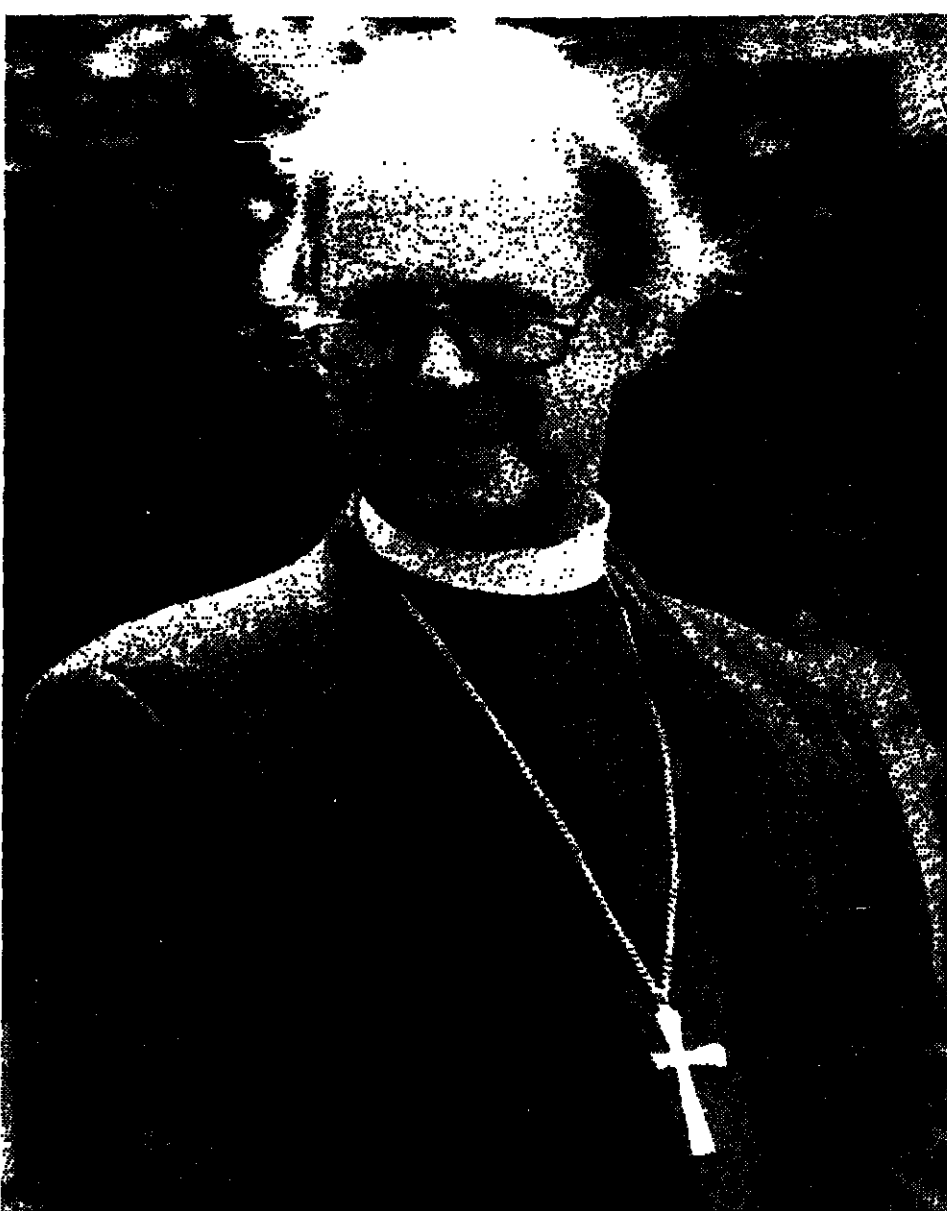
No doubt there will be the usual sneers about "middle-class" drama from people who would not dream of sneering at flat-cap mill-town sagas for being working-class, nor at country-house costume dramas for being aristocratic. The question, surely, ought to be "Is it good middle-class drama?" and the answer, surely, is "yes". There is a degree of caricature here in the oh-so-precious dean, his infuriatingly interfering wife, his ghastly punk son, and his vodka-swilling lovesick daughter. But the piece can easily support that degree of parody because it has a wickedly accurate ear and eye for the details of the cathedral close society, from the phraseology and attitudes of the chorists to the scheming of local politician Frank Ashworth. (Though after *For It is difficult to see actor Peter Vaughan as anything but a cockney villain*.)

This business of length and pace can, of course, cut both ways. *Russian Wonderland* is yet another series about post-communist Russia, and this one gains from the brevity of its items. For some reason BBCs began by stacking up three of them to make a conventional 50-minute programme, but subsequent episodes last just 10 minutes. That means that they really do come close to being the "snapshots" that programme

makers so often claim is their object. Natasha, the devastatingly charming and yet sad six year old ("I had a happy childhood...") who begs so expertly at the Moscow traffic lights, Alexei who is dead keen to do his national service, Vladimir who is determined not to, and Julia who knifed and killed her husband, all come across in luminous vignettes. Of course we could learn more by staying with them longer, but something would also be lost - a vividness, perhaps.

As a medium for the explication of current affairs, television has never been more impressive than in the aftermath of the fall of the Berlin Wall. From a series looking at the wall itself and all its implications to programmes about the Russian mafia, from Norma Percy's engrossing series on the political background to a programme about the significance of the Russian church, the spectrum has been explored in remarkable detail. Now, having just seen the end of Daniel Wolf's eye-opening series *Messengers From Moscow*, about the cold war as experienced from the Soviet side, we have *Russian Wonderland*, a title translated from the Russians' own ironic phrase "strana chudyes". Saturday brought 10 minutes on the bizarre working lives of the people at the Gus Hrustalnyi glass factory where wages are no longer paid. The workers receive glassware instead and try to sell it in street markets and to passengers on the Trans Siberia Railway. The mind boggles when you try to imagine similar circumstances in some post-apocalyptic Britain.

With so many programmes, internationally as well as nationally, now made to fit 30 and 60 minute slots it is important to acknowledge that *Russian Wonderland* and *The Choir* work extremely well at 10 and 80 minutes respectively.



John Standing in 'The Choir': a wickedly accurate ear and eye for detail

Theatre

Morning & Evening

At the Hampstead Theatre Club we have *Morning & Evening*, a play by the Danish writer Astrid Saalbach, as translated by Michael Evans: a "poetic" play, indeed, and very run. Ms Saalbach explores formal devices - echoes, symmetries, mysterious parallels - that are no part of your standard British playwright's kit. Yet those are actually the substance of her play; its seemingly random episodes are by themselves mere vignettes, with the most tenuous "factual" connections. At curtain-down I was still puzzled, but also tantalised, and I found myself going on thinking about it.

Seen from one angle, the vignettes represent middle-class Danish life in unkind caricature. Food is a constant topic, and often the basis of the action; otherwise the characters deal in bourgeois banalities, veering abruptly between progressive political sentiments, domestic small-change, and revelations of guilt, emptiness and unpleasant diseases.

Many scenes begin with some kind of apparent idyll, but proceed with weird alacrity to bleak disclosures that undermine them. Thus the three "Morning Scenes" of Act 1, and the four subsequent "Evening Scenes" (for characters never seen before nor after); and the three "Evening Scenes" of Act 3 track the stages of a single family-and-friends dinner, at night "in a large old garden of a city" - i.e. in the posh residence of a professional do-gooding liberal woman, much like the doughty female minister of Act 1.

Earlier themes come back again: anorexia, fraught hesitations about marriage, a woman whose hair flies everywhere and into the food, a



Selina Cadell and Alex Kingston

man who suddenly messes his trousers. When somebody's small daughter develops a strange rash, it takes the form of an angel. Later there is a great outcry of birds at the wrong time of night, the moon and stars are mysteriously extinguished, and momentarily the little girl has a vision that draws the grown-ups rapidly in.

Whilst the play goes on, every conversation is bizarre: almost in colloquial down-to-earth English, but perpetually fractured by turns that no natural English discourse would take. Perhaps that is natural, hermetic Danish, or perhaps it is poetry; one was never sure. Everywhere the actors are relentlessly,

actorially bright and eager, or at least pitifully articulate, which might be poetic enhancement, or just failed naturalism. Each of them takes three or four roles, and the effort of making them distinct sometimes results in sit-com cartoons.

I note that Ms Saalbach won her first international success with a radio play. *Morning & Evening* is virtually a radio play too, and perhaps fleshing it out risked gilding the lily with adipose tissue. But it is abstractly, curiously interesting, not at all boring - and it takes less than an 1½ hours, including the interval.

D.M.

Music in London/David Murray

The Vogler Quartet

still trained up in Mozart, Beethoven, Schumann, Brahms and Bruckner as they had always been.

It was a mark of that tradition that the conductors Kurt Sanderling, Kurt Masur and Marek Janowski became known in the west quite late. In the east, you had to establish your worth through long apprenticeship; and when a few younger artists were allowed to test the western market, they shone - of Olaf Baer - precisely because of their combination of precociously serious loyalty to the music with modest, unshowy expertise.

That need to result, with luck, in local (i.e. eastern European) acclaim and a state salary; but now an early, fabulously rewarded western career is what everybody wants. Can that still leave room for the old-fashioned, well-tutored maturing that has made the Vogler

Quartet - already ten years old - what they are?

At the Wigmore Hall on Wednesday and Sunday they played Beethoven and Mendelssohn twice over, with one-off excursions into Schönberg and Krenek. Both their Mendelssohns (op. 12 and 13) were faultlessly stylish and exciting, with a caveat to be entered only about the two Intermezzi. The music in those should be winsome, but knowing twinkles are so far not part of the sober Vogler kit: a touch of conscious charm would help. Op. 13, the A minor quartet, was nonetheless a marvellous performance, as rich a reading as I've heard.

They delivered Krenek's twelve-note Quartet no. 7 with judicious, well-tuned grace. So too Schönberg's Fourth, his last; there, though, I thought they left its dra-

matic profile decidedly understated. Each episode was rendered in kind detail, but the whole sounded tamer than it should, despite their sonorous unisons in the Lento recitatives. (Perhaps the recent memory of Schönberg's Trio, as played by Thomas Zehetmair & co, made an unfair comparison.)

In Beethoven's op. 135 they were similarly clever but cautious: plenty of insightful touches, few of them evidently connected to any larger plan. It took his op. 127 to demonstrate their powers at full strength: grand authority in every movement (with the gorgeous sound one expected from them in the opening *Maestoso*), and a lyrical, timeless *Adagio* that might happily have gone on forever.

That was not the kind of musical experience one could sensibly argue with. It was great music superbly played, and one surrendered to it; it took some effort later to realise how much greater an effort the illusion of simplicity must have cost the Vogler Quartet.

Les Mamelles de Tiresias

with strict up-tempo precision. Poulenc claimed, rightly, that it was just as "characteristic" of him as his *Gloria*: the whole composer is there.

The Queen Elizabeth Hall performance was unstaged, but the conductor Simon Rattle and a first-rate cast did more than enough to seize the character of the piece and brandish it enthusiastically. The London Sinfonietta and their Chorus enjoyed letting their hair down no less. The result was universal delight among the full house. It seemed a great pity not to have contrived a thrifty staging (easily done) for *Tiresias* and played it for several nights - but they might then have economised on their casting, which was luxurious for a one-night stand.

Barbara Bonney was Thérèse, busting out all over in pink and delivering her music in flawless style, though her words lost some bite as they crossed over the orchestra. Philip Langridge was her bereft husband, comically eager as he set to producing 40,000 children single-handed (as it were). Among other excellent performers, the tenor Peter Hall and the baritone Simon Keenlyside - who got the Theatre Director's rich prologue as well as the role of lecherous Gendarme - approached lusty perfection.

It is much too long since *Les Mamelles* was put on in London. It is a hugely life-enhancing piece, silly though it may seem, and Poulenc-lovers need a solid dose of it every few years. To the best of my

knowledge, Cluytens' exuberant LP recording with Denise Duval and Jean Giraudoux has never yet reappeared on a CD: why ever not?

This was a concert in the South Bank's ongoing "Towards the Millennium" series, so old Poulenc had to be prefaced with early Boulez from about the same date. Not a very good idea, especially since the audience for Poulenc found themselves facing a second play-through of the Boulez (presumably by way of eking the concert out to a respectable length): *Le Soleil des eaux* is partly a collage from Boulez's early theatre-scores, and there is no secret thread to be winkled out on a second hearing. But Lucy Shelton was a refined and subtle soprano soloist, and the Sinfonietta Chorus abetted her bravely (more confidently in the repeat); those few of us who admire both Boulez and Poulenc were happy enough.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Schoenberg Trilogy: new productions of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" and the first time these three one-act operas are playing in one performance. With David-Wilson Johnson, Isolde Elchlepp and conductor Winfried Mawczewski; 8pm; Mar 22, 25, 28

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 22, 25
● Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 24
● The Girl of the Golden West: by Puccini. A new production

conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 23, 26
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 8.30pm; Mar 26 (8pm)

FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● South Western Radio Orchestra: with mezzo-soprano Vessalina Kasarova and tenor Zoran Todorovich. Peter Falk conducts a variety of operatic pieces; 8pm; Mar 22

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival: this concert opens the second part of Michael Tilson Thomas' Mahler Festival, the highlight of his final season as the principal conductor of the LSO. This performance includes the UK premiere of Schnittke's "Concerto Grosso No.5"; 7.30pm; Mar 22
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra with tenor Ben Heppner and baritone Thomas Hampson to play Mahler and Rott; 7.30pm; Mar 26
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Beethoven and Strauss; 7.30pm; Mar 28

Royal Festival Hall Tel: (0171) 928 8800
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Britten, Schoenberg and Shostakovich; 7.30pm; Mar 23
● Grand Classical Gala: National Symphony Orchestra conducted by David Coleman plays a variety of operatic pieces; 7.30pm; Mar 26
● Royal Choral Society: with the English Chamber Orchestra and soloists Susan Griffon and Michael George. Richard Cooke conducts Saint-Saëns and Brahms; 7.30pm; Mar 28
● Royal Philharmonic Orchestra: Vladimir Ashkenazy conducts Beethoven and Shostakovich; 7.30pm; Mar 25
Wigmore Hall Tel: (0171) 935 2141
● Song Recital Series: with baritone Thomas Hampson and pianist Wolfram Rieger in a programme of Grieg, Mahler and Butterworth; 7.30pm; Mar 24
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 23, 25
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 22, 24, 28
Royal Opera House Tel: (0171) 304 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 25 (7pm)
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard

Haitink; 5.30pm; Mar 27
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 22, 23

MUNICH

OPERA/BALLET
Bayrische Staatsoper Tel: (089) 22 13 18
● The Nutcracker: music by Tchaikovsky. Choreographed by John Neumeier and conducted by André Presser; 7.30pm; Mar 28

NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: Sir Colin Davis conducts an all-Sibelius programme; 8pm; Mar 23, 24, 25
Carnegie Hall Tel: (212) 247 7800
● Orchestra of St. Luke's: with soloist Alicia de Larrocha. André Previn conducts Mozart and Haydn; 8pm; Mar 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 25
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 24
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Mar 23, 27
● Tosca: by Puccini; 8pm; Mar 22, 25
New York City Opera Tel: (212) 307 4100
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotti.

Soloists include Janice Hall/Oksana Kroytka and Stephen Mark Brown/Richard Drews; 8pm; Mar 25, 28
● The Merry Widow: music by Lehár. English book adaptation by Robert Johnson. Conducted by Eric Stern, directed by Robert Johanson; 8pm; Mar 26 (1.30pm)

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with baritone Boris Martinovic and pianist Michel Béroff. Victor Pohl conducts Mozart, Mussorgsky and Prokofiev; 8.30pm; Mar 23
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 25, 28
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joel. Soloists include Gegam Grigorian; 7.30pm; Mar 23

PRAGUE

GALLERIES
Old Royal Palace Tel: (2) 3337 2272
● Antony Gormley's "The European Field": under the instruction of Gormley, clay figures made in the Swedish town of Östra Grevie are placed in a field; to Apr 30

VIENNA

CONCERTS
Gesellschaft der Musikfreunde

Tel: (1) 505 1363
● Royal Concertgebouw Orchestra: Riccardo Chailly conducts Stravinsky, Prokofiev and Strauss; 7.30pm; Mar 25, 26
● Wiener Symphoniker: with pianist Rudolf Buchbinder. Nikolaus Harnoncourt conducts Beethoven's "Pianoconcert No.5" and "Symphony No.8"; 7.30pm; Mar 22, 23
GALLERIES
National Gallery Tel: (02) 737 4215
● Class Oldenburg: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 25 (7pm), 27 (7pm)
● Tiesland: by Eugen d'Albert. Roman Terlecky directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 23, 26 (2pm), 28

THEATRE

Kennedy Center Tel: (202) 467 4800
● The Art of the Samurai: a two-part programme that includes a demonstration of Samurai sword fighting and a performance of Akko-Gishi, a Japanese historical drama from the Edo period (1600-1868) directed by Takashi Ishiguro; 7pm; Mar 27, 28

WORLD SERVICE

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Edward Mortimer



Columnists should not worry about mail. After all, they are supposed to be provocative. Fan mail is much more worrying, especially when it comes from the Establishment.

I have been worrying for six months about a nice letter I got from a Brazilian diplomat after a column I wrote on non-governmental organisations ("NGOs rule OK", 21 September 1994). How right I was, he said, to highlight the paradox whereby elected governments are "considered less trustworthy than pop singers that no one voted for".

Hmm. Obviously the Brazilian government is fed up with being criticised by environmental groups for encouraging, or failing to stop, the destruction of the Amazon rainforest. It sounds uncomfortably as if I, by questioning ever so gently the credentials of those organisations, have helped give it a good conscience.

I can just about bear that. The diplomat is a friend, and the Brazilian government is indeed an elected one. In fact a new one has been elected since our exchange, although whether better or worse for the rainforest I am not sure. Trees do not have votes, and the votes of the forest peoples do not count for much.

At least I haven't received any nice letters from Sudanese diplomats, but that may have been a narrow escape. "Are NGOs the ugly face of neo-imperialism?", asks the neo-letter Sudan Focus. It goes on to answer its own question in the affirmative, largely on the basis of Sudanese official accusations. These are that international NGOs doing relief work in Sudan have been helping the rebel Sudan People's Liberation Army; and that blasphemy against Islam has been committed by Amnesty International, which detailed human rights abuses by the SPLA as well as the government (it said that "flogging constitutes a cruel, inhuman and degrading punishment").

Almost as embarrassingly, I seem to have put myself on the side of Vaclav Klaus, the Thatcherite prime minister of the Czech Republic, against the universally revered philosopher-president, Vaclav Havel. Those two dignitaries have an endearing habit of airing their

At arm's length

Non-profit groups should not be beholden to governments

differences in public. Last May they had a televised debate, precisely on the issue of non-profit organisations.

Havel favours these because they "fill the space between the state and the citizen and their existence motivates citizens to take an interest in public affairs". Klaus is suspicious of them, because "the defenders of non-profit organisations think they know best what is good for public welfare and they want to impose their views on us". He sees no further need for "civil society", now that the Czech republic

If civil society is sponsored by the state, it ceases to be civil. NGOs become quangos

has free political parties and free elections. In his view the only basic element of a democratic society is the citizen, and "everything that is above the citizen is derived from him".

Well, yes. But the state and political parties are not the only things that derive from the citizen. Countries where virtually all voluntary activities - fishing clubs, football teams, trade unions, newspapers, TV channels - are run by political parties are not generally considered the most healthily democratic, even when there is more than one party. In fact that is precisely the regime - called "partitocracy" (rule by parties) - that the Italians have had to get rid of because it was so stifling and corrupt. According to Havel, this was also what was wrong with the first Czechoslovak republic (1918-38), "when our

life was horribly influenced by partisanship, when everything was in the hands of political parties, when every solution was marked by party viewpoints".

Havel is right to say that parties should be "merely the extreme tip of a colourful social life", and draw their energy and inspiration "from the fertile soil and multi-layered environment of civil society". The sort of society envisaged by the French philosopher Jean-Jacques Rousseau, in which there is nothing between the individual citizen and the state, would be bleak to live in and probably democratic only in name. Like Havel, I prefer the vision of the liberal thinkers Edmund Burke and Alexis de Tocqueville. They envisaged a society full of untidy, overlapping non-governmental associations that have grown up over time and are rooted in local culture.

Governments often find such untidy growths inconvenient and are tempted to cut through them. That must be resisted. But can civil society look to the state for positive help? Can the state establish legal and social conditions that would promote the development of civil society?

Up to a point, yes, but one needs to be very careful. If civil society becomes state-sponsored, it ceases to be civil, and NGOs become quangos; in other words they cease to be genuinely autonomous.

The same thought makes me suspicious of the section on "global civil society" in the recent report of the Commission on Global Governance, the group of eminent persons looking at the reform of the UN. I like their idea that non-state bodies should have a right of petition to the UN Security Council when the "security of people" is threatened by action or inaction on the part of governments. But their proposal for an annual "forum of civil society", meeting in the hall of the General Assembly, makes me wince. Drawing NGOs into the UN system would make them more bureaucratic and less independent - more governmental, in fact.

No. Civil society by definition must be separate from political power. The NGOs' place is on the outside. It is not their job to make life easy for governments.

"Our Global Neighbourhood" (Oxford, £25 hb, 25.99 pb).

Boisterous marriage parties, complete with ululating women and brass bands, are still held in the big hotels of Baghdad. But bookings are well down because many young people, even those from relatively well-to-do families, can no longer afford dowries and marriage celebrations.

Nearly five years after United Nations sanctions were imposed on Iraq following its invasion of Kuwait, the trade embargo is biting deeply.

Baghdad's noisy traffic jams give the city the air of a bustling commercial centre, but they are fuelled by subsidised petrol costing a fraction of a US cent per gallon - about the only commodity now priced within reach of the average Iraqi. The ramshackle state of the cars and trucks is a more accurate reflection of Iraq's economic outlook.

Rampant inflation has made the food ration card more important than the wage packet for most Iraqis. A kilogramme of meat in the market can cost 1,300 dinars (just under half the average monthly wage, although worth only about \$1 on the black market).

Before President Saddam Hussein's decision to invade Kuwait and the subsequent Gulf war, Iraq's oil wealth not only provided the government with sufficient money to buy and manufacture an arsenal of weapons but also allowed its 18m inhabitants to spend freely. "It was not unusual for families to have at least \$300 worth of food in their cupboards", says one government official.

Now most Iraqis depend on a subsidised monthly ration of 6kg of flour, 1.25kg of rice, 750g of sugar, 600g of cooking oil, 500g of laundry powder and one and a half bars of soap.

As for medicine, "there is no shortage", says one western charity worker. "There is a total absence of the parous state of what was once one of the Middle East's most extensive health care systems is exacerbated by Iraqi government policies."

The government has refused to accept a UN proposal for a one-off sale of \$1.6bn of oil to fund additional imports of food and medicine, arguing that the requirement that the aid be distributed by the UN is an unacceptable violation of Iraq's sovereignty.

Iraq's present impoverishment is partly self-inflicted, and belies its status as the holder of the world's second-largest oil reserves and its

Robert Corzine finds Iraqis struggling to make ends meet and foreigners keen to do business

A long wait for UN's green light

potential as one of the wealthiest Arab countries. Much of the wealth was squandered on Mr Saddam's military adventures that led to the Iran-Iraq war in the 1980s and the 1990-91 Gulf war.

But it is difficult to assess where ordinary Iraqis lay the blame for their present predicament. Many, for example, say they support the government stance on the one-off oil sales. There is also a widespread belief in a US-Saudi Arabian conspiracy to keep Iraqi oil off international markets.

Some people talk elliptically about "our problem", but few speak freely with foreigners about the president - the fear engendered by the regime's ubiquitous secret police makes sure of that. Even taxi-drivers claim ignorance about the occupant of the heavily guarded, opulent riverside palace that diplomats say is his principal Baghdad home.

The economic deterioration that has made everyday life such a struggle for poor Iraqis is spreading to the middle classes. The air travel embargo has forced Boeing-trained engineers into backstreet vehicle workshops. Professionals whose services are in demand, such as doctors, supplement their salaries with private work for US dollars.

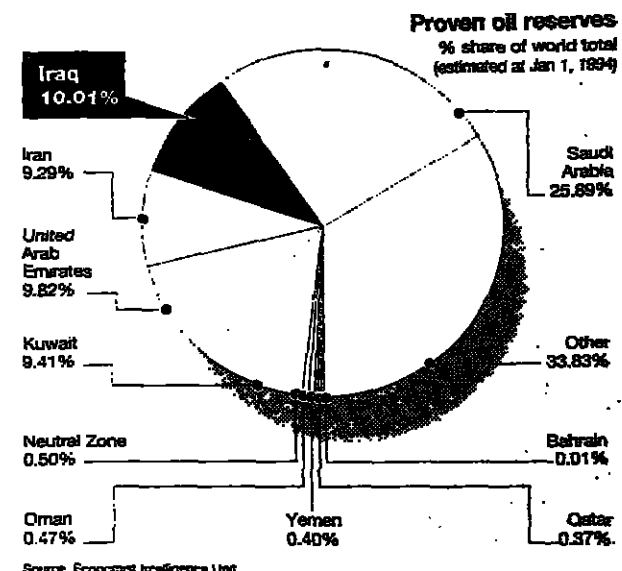
Others spend much of the day trying to keep their wealth intact by dealing on the thriving black market in dollars, even though possession of the American currency is punishable by life imprisonment.

"What you are seeing is the dissolution of Iraq's middle class", says one Iraqi engineer. Many with specialist skills choose to join the 10 per cent or so of the Iraqi population who have fled abroad. This is in spite of having to hand over up to 1m dinars to the government to gain an exit visa.

Those who remain say the steady decline of the middle class as a result of sanctions carries with it undesirable political, as well as economic, effects.

They say the educated technocrats, among the only mod-

Iraq: riches out of reach



erating influences on the government, are losing their clout because the continued sanctions are reinforcing the hard-line, anti-western elements within the Iraqi leadership.

Last week's announcement that Iraq will welcome foreign investment in its oil sector once sanctions are lifted had the backing of the ruling Baath party. But it was inspired by the technocrats, who see the revitalisation of the industry as a prerequisite for Iraq's eventual economic recovery and political rehabilitation.

Although sanctions have played a part in persuading Iraq to dismantle most of its capacity to produce weapons of mass destruction, they appear to have had little direct impact on the leadership itself, according to diplomats.

One European envoy with extensive experience in Iraq says it is "monstrous" to believe that sanctions will lead to the president's overthrow. "The average Iraqi prefers to die in his bed from hunger than from Republican Guard bullets," he says.

But that does not mean the government faces no opposition. There have been recent but unconfirmed reports of attempted coups d'état. Security in and around the capital is pervasive. Troops are stationed around all government buildings, although the level of alert appears relatively low.

The army and police presence is heavier, however, around centres of opposition outside Baghdad. The road leading into Kerbala, for example, the Shia stronghold about

100km south of the capital, is lined with army checkpoints, machine gun posts and armoured vehicle bases.

The city's skyline is dominated by the golden domes of its two famous mosques, home to some of Shia Islam's most sacred shrines. The mosques are surrounded by a large dusty field, on the edge of which stand the empty remains of partly demolished buildings and large piles of rubble.

"The Americans bombed them," insists one man. Another explains that it is an urban renewal project. Later, a government spokesman concedes that the damage dates to the Shia uprising at the end of the Gulf war, when the locals had "an argument with the army".

The ability of Iraq's regime to remain in power in spite of widespread economic deprivation and political opposition in the Kurdish north, the Shia-dominated southern areas and from the Marsh Arabs who live in the delta of the Tigris and Euphrates rivers, poses a dilemma for western governments.

The US, frustrated at the failure of sanctions to topple Mr Saddam, says it will oppose any early lifting of sanctions even if Iraq meets the formal requirements that it dismantle completely its capability to produce weapons of mass destruction. The US says this is because the Iraqi regime still poses a threat to its neighbours and has shown little contrition for its attack on Kuwait.

Other members of the Gulf war coalition, including France and Russia, are less sure. Their motivation is a mixture of humanitarian and commercial concerns. They argue that sanctions are only impoverishing the Iraqi people and are depriving western companies of business opportunities. The oil embargo, they say, should be lifted if the UN certifies that Iraq has complied with UN resolutions.

That could happen as early as next month, when the Security Council receives a report from its special envoy, although lingering questions about Iraq's biological warfare programme could delay a positive report until later in the year.

Once the UN grants its seal of approval, France, Russia, China and a number of other countries appear ready to deal once again with what one western diplomat calls "the devil they know".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). Translation may be available for letters written in the main international languages.

Territorial claims all at sea in east

From Mr Michael C. Alcamo.

Sir, Your account of China's territorial claims on the body of water you labelled as the "South China Sea" illustrates just how important it is to be friends with the people drawing the maps ("The waters beyond Mischief Reef", March 16).

During a recent visit to Vietnam, I learned that the 75m citizens of that country have long referred to this body of water as the "Eastern Sea". The name, of course, describes its location with respect to Vietnam - which also claims sovereignty over it. Michael C. Alcamo, 272 First Avenue, Apartment 10P, New York City, New York 10008, US

Chocolate proposal disastrous

From Mr Anet N'Zi Nanan Koliba.

Sir, May I point out the implications should the EU decide to harmonise legislation on chocolate ("Germans find EU chocolate rules not to their taste", March 13) and allow all member states to incorporate 5 per cent vegetable fat in chocolate - as they currently can in the UK, Denmark and the Republic of Ireland.

It is estimated that the fall in Community demand for cocoa and chocolate products would be in the region of 300,000 tonnes of cocoa beans per year.

The replacement of cocoa butter by vegetable fats would be disastrous for many African, Caribbean and Pacific (ACP) economies such as Ivory

Coast, which depends for more than 35 per cent of its foreign exchange on cocoa. Indeed, the 31 ACP states concerned, accounting for 65 per cent of the world's cocoa production and 85 per cent of EU cocoa imports, would lose around 300m Ecu.

Besides the damage that will be done to the image of chocolate as a result of the directive, there would be worse to fear from a future dismantling of cocoa-processing activities in the producer countries, namely Ivory Coast, Cameroun, Nigeria and Ghana.

Under EU mechanisms for the stabilisation of export earnings (known as Stabex), the cost of the drop in export revenue suffered by the 31 ACP countries that produce cocoa

would have to be met by Community intervention. It is unlikely the Stabex fund could bear this and, in turn, this would jeopardise the intervention of Stabex on other commodities. Ultimately, the cost would be borne by the EU taxpayer.

ACP countries are in favour of harmonising the so-called "chocolate directive" and thereby introducing an internal market in the product in the EU, but not if this means using vegetable fats other than cocoa butter and allowing the "5 per cent rule".

Anet N'Zi Nanan Koliba, Ivory Coast ambassador to Benelux and European Union, Avenue Franklin Roosevelt 334, 1050 Brussels, Belgium

UK shows the way on privatisation

From Mr John Devaney.

Sir, I would like to applaud and support the article by Mr Edmund Wallis, chief executive of PowerGen (Personal View, March 21), where he points out some of the important changes and evolutions which have taken place in his own company since the privatisation of the electricity industry.

These types of changes have been replicated in other segments of the privatised electricity industry, whether it be the Scottish integrated companies, the generators or the distribution companies.

The industry as a whole employs 117,000 people, has a sales turnover of £25bn and paid corporation tax last year of £900m.

David Lascelles' article, "California leads US in opening electricity market" (March 21), illustrates the fact that the UK model of privatisation, while not perfect, is heading in the right direction and is regarded internationally as being one of the best models of privatisation of a utility industry.

It is a pity that the achievements of those who work in and manage the industry are continuously being subsumed

under an avalanche of criticism.

It is time that the UK recognised that this is the only leading European country where electricity prices are going down and service standards are going up. We have something here to be proud of, not ashamed of.

John Devaney, president of the Electricity Association, Eastern Group, Wetherhead Park, Wetherhead, Ipswich, Suffolk IP9 2AQ, UK

Real power

From Mrs Barbara Yerolemu.

Sir, I was encouraged by David Lascelles' report that in the future each household may have its own generator producing its own electricity ("More than one way to go", March 15).

At last, power to the people, for the people and by use of the people.

Capitalism rules OK. Barbara Yerolemu, 17 Heathcroft, London W5 3BY, UK

UK insolvency law not perfect, but working reasonably well

From Mr Richard Bethell-Jones.

Sir, Lex ("Healing the wounded", March 21) comments that the Queens Moat Houses affair has shown up substantial flaws in the UK system of corporate restructurings. However, the suggestion that a move to US-style Chapter 11 proceedings might help is misconceived. Chapter 11 is no quicker or cheaper than UK administration procedure introduced in 1986. An administration order and company voluntary arrangement would have enabled QMH to deal with the problem of a single debt trader holding a deal to ransom.

The problem with any international group, particularly where there is a large number of banks lending to different parts of the group, is that there is no single jurisdiction under which a restructuring can be carried out. An administration order, for UK parent will not keep creditors of a German subsidiary at bay. No change to UK law will deal with that.

The interesting question is whether restructurings such as QMH and Heron might have been cheaper if an administration order had been used instead of a work-out under the London approach. A feature of the London approach work-out is that trade and other non-financial creditors do not share

the pain. The QMH costs will have to be borne by the shareholders and banks alone. Suppliers to QMH may think the procedure rather a good idea. The imaginative approach advocated by some economists, and referred to by Lex, for debt equity swaps is already what happens when the circumstances make it worthwhile. But making it compulsory in the run-of-the-mill case cannot be right.

No sane creditor will want to convert debt into a minority equity stake in an under-capitalised, unlisted company with fragmented ownership, being run by management whose interest is to maximise their

income rather than shareholder value.

The fact is that the UK insolvency reforms introduced in 1986 were reasonably well thought out and are working reasonably well. Calling for a change to insolvency law because some restructurings are very expensive is like calling for the abolition of securities regulation because compliance is so expensive. At any rate the crack about the commercial interest of the "pack of professionals" was pretty cheap.

Richard Bethell-Jones, Wide Saple UK, 1 Fleet Place, London EC4M 7WS, UK



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Wednesday March 22 1995

A depressing departure

The departure of Rupert Pennant-Rea from his position as deputy governor of the Bank of England is a depressing event. It is depressing both for him and for the Bank of England. But it is also depressing for what it says about the British people.

His nomination to this post in January 1993 did come as a great surprise, but the passage of time made it look increasingly inspired. This departure is quite as surprising, but it is also thoroughly dispiriting. Public prudence, and the bitterness of the scorned lover, have triumphed once more over common sense and respect for ability.

What is it that makes the British so narrowly moralistic? It is certainly not their own high standards of sexual fidelity. This is, after all, a country with the normal amount of sexual infidelity. For the inhabitants - or, indeed, the leaders - of such a country to insist on the highest standard of sexual propriety seems laughable.

Religious leaders should perhaps be expected to live by the standards they publicly profess. The same could also be true for those foolish politicians who prate of morality, only to be caught in flagrant delicto.

Deputy governors of the Bank of England have no such obligation to uphold sexual morality. That is not what they are there for. Upholding the value of the currency would be a rather more relevant achievement.

What is more, if heads had to roll at the Bank of England, far better reasons could readily have been found in recent years. A few could have rolled over the collapse of BCCI, for example, or over the inglorious end to sterling's membership of the ERM, or even over the unexpected failure of Barings.

Professional mistakes were arguably made in these cases. Yet it is not any such incompetence but sexual misconduct that has, in the end, driven a senior official from his post.

If infidelity itself is a ridiculous reason for resignation, the way the affair has been conducted is a marginally less implausible one. His alleged behaviour has made Mr Pennant-Rea's attitude to the Bank appear frivolous.

Central banks have to be taken seriously, particularly ones with proud pasts but somewhat less glorious presents. A deputy governor, particularly one recently arrived from Grub Street, should look suitably sober. Otherwise, he loses some of the respect on which his effectiveness depends. The details of these revelations would seem to have put that, at least for the moment, beyond Mr Pennant-Rea's reach.

This is a consideration, but in itself should not have been damaging enough to deprive him of office. Mr Pennant-Rea's has proved not just a surprising appointment, but also an excellent one: he provided the fresh outside eye the Bank needed; he implemented a much-needed reorganisation; he worked hard to improve the career prospects of the Bank's bright young staff; and he provided the management that the governor, Mr Eddie George, for all his many abilities, did not.

Mr Pennant-Rea's brief tenure was a success and the manner of his departure more of a scandal than the peccadillo that caused it. It is, in all, a typically British story, about a country that cares far more for appearances than for achievements. The unhappy ending can be partially redeemed only by securing an equally competent replacement.

Leading the WTO

The end of the lengthy deadlock over the leadership of the World Trade Organisation is a cause for relief, but not celebration. The circumstances in which the decision was reached, and the deep divisions it has created within the world's main economic powers, are a disturbing augury for the new body's future. If it is to fulfil the central role proposed for it in global economic policy-making, the damage inflicted by the dispute must be repaired quickly.

The WTO's success will depend almost entirely on its credibility. That, in turn, rests on the personal authority of its leader. He bears crucial responsibility for defining its agenda, shaping its deliberations and mobilising the consensus needed to achieve agreement. To operate effectively, he must command confidence and respect, not just among trade negotiators, but at the highest level of their governments.

Mr Renato Ruggiero needs to overcome two initial handicaps in the job. One is the manifest reluctance with which the US acquiesced in his appointment, after failing to come up with an alternative candidate it considered more acceptable. Washington has since gone some way to mend fences with Mr Ruggiero. It is important, for the sake of the WTO, that its largest and politically most influential member ensure that these gestures are translated into sustained support for the organisation's leader throughout his term.

Mr Ruggiero's second disadvantage derives from the energetic management of his campaign by Sir Leon Brittan, Europe's trade commissioner. As well as doing much to turn the contest into a rancorous regional conflict, Sir Leon's ill-advised zeal has aroused suspicions that Mr Ruggiero is a champion of EU interests. The integrity of the WTO requires its new head to make clear beyond doubt that he owes Brussels no favours - and intends to give none.

However, Mr Ruggiero on his own has little power to mend the most serious damage from the dispute. This is the tension and mistrust it has engendered between the WTO's members, above all the US and EU. As the world's largest economic powers, they have a strong stake in - and responsibility for - the institution's success. The leadership wrangle has undermined vividly how far that objective depends on good transatlantic communications.

Beyond the deal set out yesterday, it is vital that Brussels and Washington set about repairing bilateral relations and strengthening their commitment to the WTO. They could usefully reaffirm that commitment by jointly backing an increase in the organisation's niggardly budget. At the very least, they have to work out a better way to choose Mr Ruggiero's eventual successor.

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The good times are rolling again for the world steel industry, and for once there is more to look forward to than a few years of profits and flat-out production before the next recession arrives. Steelmakers have their best opportunity ever to break out of the rut in which the industry has languished for the past 20 years. The end of state interference and the creation of a commercially driven, international or even global steel industry, are within sight.

The end of the recession in the industrialised countries is cause enough for celebration. After three years of decline, demand for steel products in the 25 member countries of the Organisation for Economic Co-operation and Development (OECD) rose 6.8 per cent to 336m tonnes last year, and a further 2.5 per cent rise is expected this year.

Increased production in the main steel-consuming industries has stimulated demand in almost all the OECD countries. The main exception is Japan, though even here demand is forecast to rise this year. "We're in the best steel market we've had for 20 years," says Mr Robert Darvall, chairman and chief executive of Inland Steel Industries, the fifth-largest US steelmaker.

There are two ways ahead for the industry, says Mr Maarten van Veen, chairman of Hoogovens, the Dutch steelmaker. The first, which he calls *déjà vu*, would be a return to the old ways of the industry. These were characterised by steelmakers' refusing to look beyond national boundaries, sheltering behind trade barriers and state subsidies, viewing the global market as a threat, manufacturing standard products and "struggling on".

The second way forward, which he calls the "new era", would be to create an international steel market with free competition and fair conditions. Steelmakers would adopt a global approach, view their market as an opportunity and make "dedicated" products tailored to customers' needs. Rather than struggle, steelmakers would be vigorous into the next century, he says.

Mr van Veen naturally hopes the industry will have the collective wisdom and foresight to choose the second path. He also expects it to - optimism shared by other speakers at the recent inaugural Financial Times conference on the world steel industry, organised in association with CRU International, the London-based metals consultancy.

There are two factors encouraging this optimism. The first is the trend towards privatisation; the second is the changing nature of the steel market, together with the growing importance of developing countries.

In contrast to industries such as chemicals, there are no true multinational steel companies. Steel is sold across world markets, but it is still produced and supplied largely by national companies.

Particularly in Europe, steel has been viewed by governments as "strategic", partly because of its importance in making arms and partly because it provided high levels of employment in steelmaking regions. A steel industry was a hot debate in the steel industry over the most profitable form of production technology.

The traditional industry, or "big steel", plants produce steel from iron ore in blast-furnaces and cast it into slabs, plates, coils or sections. They have been challenged in recent years by a new generation of "minimills", which turn scrap into steel by melting it in electric arc furnaces.

The first commercially successful minimills began operating only in the 1960s, but the sector already accounts for about a third of world steel production. At first, they really were small plants, designed to make between 150,000 and 300,000 tonnes annually of low to medium-grade products used mainly in construction.

Now a minimill can produce 1m to 2.5m tonnes a year of high-quality steel. Using fast-developing technology, they can supply a wide range of customers, says Mr Robert Garvey, president of North Star Steel, the US minimill operator. They can now also supply special long products, plates and coils - items integrated producers once believed only they could make, says Mr Luigi Lucchini, chairman of Italy's Lucchini Group, a pioneer of the Italian minimill sector.

Mr Lucchini says minimills were ideal for new entrants to the industry, because of lower capital costs.

Mr Philip Tomlinson, director of CRU International's steel business unit, says the advantages of minimills are often overstated. "On the one hand we are presented with a picture of the lean, efficient, environmentally-friendly technology of the future, entrepreneurially managed and of appropriate scale for the market's needs," he says. "On the other hand, the integrated producers are portrayed as the ancient dinosaurs, operating what is perceived to be an outdated, polluting technology, saddled with legacy costs, excess capacity and inappropriate work practices."

A lot of this rhetoric is of US

Steeled for global action

Market growth and privatisation could prompt the development of worldwide steel companies, says Andrew Baxter

viewed as a symbol of national virility, and to preserve it many governments took some or all of their steelmakers into state ownership. But steel is no longer so important to defence because of the increasing importance of other materials, such as plastics and composite materials. And modern steel plants require far fewer employees than in the past.

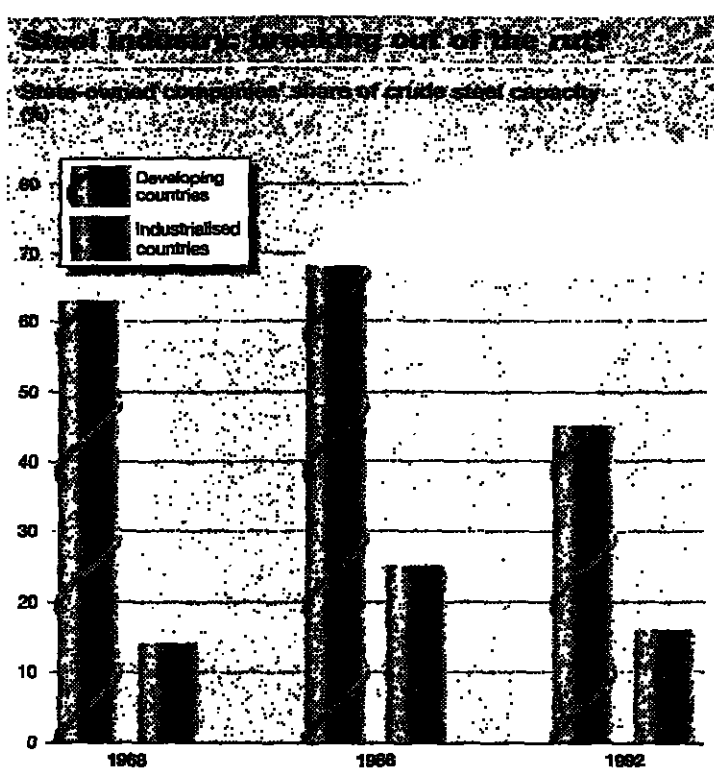
As a result, political attitudes to steel are changing, evident in the trend towards privatisation. In 1993, more than half the steel capacity in the European Union was publicly owned. This will fall to between 20 per cent and 25 per cent once Usinor Sacer of France and Ilva of Italy are privatised. The sale of Usinor, Europe's largest steelmaker, could go ahead this year, while this month Iri, the Italian state holding company, agreed the sale of Ilva Laminati, the flat steel producer in Riva, one of Italy's biggest private steelmakers.

Steel privatisations are also planned in Portugal and, outside the EU, in Turkey. Further afield, India is rapidly reducing its stake in Steel Authority of India (SAIL), which accounts for 60 per cent of Indian steel production. In Latin America, the Brazilian steel industry has been entirely in private hands since 1993. As recently as 1988, the government owned about 70 per cent of Brazil's production capacity.

Privatisation has generally galvanised national steel industries, exposing steelmakers to market pressures, and freeing management to take the decisions necessary to be competitive.

In Brazil, for example, the removal of the state from the decision-making process gave the sector a free hand to cut costs and raise productivity, says Mr Sylvio Nobrega Coutinho, president of Companhia Siderurgica Nacional. CSN has cut its workforce from 19,100 in 1990 to 15,000, with tonnes of steel produced by each worker rising from 160 a year to 314 over the same period.

In Europe, privatisation has been particularly welcome to the private steelmakers, which have suffered what they have seen as unfair competition from subsidised state producers. The private steel companies have tended to react more flexibly and thoroughly to market conditions, says Dr Ruprecht Vondran, president of the German Steel Federation. The private companies have increased output faster in



Top steel producing countries

(in tonnes)	1988	1989	1990	1991	1992	1993	1994*	Annual change in 1994 (%)
Japan	105.7	107.9	110.3	109.5	98.1	99.6	98.3	-1.3
China	58.4	61.6	68.3	71.0	80.9	88.7	91.5	3.2
US	90.7	88.8	89.7	79.7	84.3	88.8	88.9	0.2
Russia	41.0	41.1	38.4	42.2	39.7	38.3	40.8	6.5
Germany	41.0	41.1	38.4	42.2	39.7	37.8	40.8	8.6
S. Korea	19.1	21.8	25.4	28.0	33.0	33.0	33.6	2.3
Italy	28.8	25.2	25.5	25.1	24.8	25.7	26.1	1.5
Brazil	24.7	25.1	20.6	22.6	23.9	25.2	25.7	1.9
Ukraine	58.4	54.8	52.8	45.0	41.8	32.4	23.9	-26.3
France	14.3	14.8	15.0	17.1	18.2	18.2	18.2	0.4
Spain	18.1	19.8	19.8	18.1	17.1	17.1	18.0	5.4
UK	18.0	18.7	17.8	16.8	16.8	16.8	17.4	4.4

Source: International Iron and Steel Institute

* Provisional

times of expansion and been better able to survive recessions through cost-cutting. Freed from the need to act as national champions, privatised European steelmakers ought also to be able to merge across borders. Ultimately, this should help reduce overcapacity and build bigger, more

specialised - and hence more powerful - companies. Some progress has been made, but Mr Francis Mer, Usinor's president, believes the European steel industry is still too fragmented compared with producers of competing materials such as glass or aluminium. It has a similar weakness

in facing manufacturing industries that use its products, such as those making cars and home appliances. The crucial test of whether governments are willing to let the industry fend for itself will come when the market turns down again, perhaps in 1997 or 1998.

In Europe, at least, the omens do not look good. Late last year, the European Commission's two-year effort to organise a restructuring of the industry ended in partial failure. As the market began to recover, steelmakers failed to offer the capacity cuts seen by Brussels as the minimum necessary.

Mr Karel Van Miert, European competition commissioner, says an opportunity to find a long-term solution to the industry's overcapacity problem was missed. But he believes that, with continuing privatisation, there is unlikely to be any return to widespread state subsidies for steelmakers. The second important influence is the growth of the steel market in the developing world which will force western steelmakers to step outside their national markets to exploit the new opportunities.

According to preliminary estimates by the International Iron and Steel Institute, China and other developing countries accounted for 23.1m of the 723.3m tonnes of crude steel produced worldwide last year. Their share of world output, 30 per cent compared with just 20 per cent in 1988, is expected to rise further because of high economic growth rates and relatively low per capita consumption of steel. China overtook the US last year to become the world's second largest producer, behind Japan.

The traditional approach of OECD producers to such markets has been to export from home-based facilities. But the transport costs will make them uncompetitive in these new markets, says Mr Brian Moffat, British Steel's chairman and chief executive. Instead, they need to make steel in the growth markets, via joint ventures and alliances.

Mr Moffat believes the outlook in developing countries gives western steelmakers an opportunity to "break out of the past structural rigidities". The more forward-looking steel companies are already building the partnerships to exploit these opportunities. Late last year, for example, British Steel, LTV Steel of the US and Japan's Sumitomo Metal Industries said they were forming a company, Trico Steel, that could become a vehicle for expansion in developing markets. According to one steel analyst it has the potential to be the world's first "global steel company".

Exploiting the developing markets will require the type of imaginative approach to new markets many steelmakers have hitherto lacked, and a culture committed to making profits rather than making steel for the sake of it. As the state relinquishes its grip on the sector, privatised steelmakers can break free from their national straitjackets. And by chasing the world's growth prospects, they can at least partly insulate themselves from the market cycles in their traditional home markets.

steelworks. It has achieved this partly through relentless productivity improvements.

Yet the decline of the blast furnace will continue, says Dr Rod Beddows, chairman of Beddows & Co, the London-based consultancy. Environmental pressures, high capital costs and fixed-cost disadvantages of the blast furnace will reduce its importance in industrialised countries.

The same factors, along with the fragmentation of local markets and shortage of appropriate sites, mean steel producers in developing Asian countries will depend more on electric arc furnaces than their counterparts in the industrialised world, he says.

While it is too soon to write the obituary of the integrated producer, the minimill should satisfy much future demand for capacity.

A bet on Ukraine

After years of delay, the International Monetary Fund has in a matter of weeks carved a pivotal role for itself in the future of both Russian and Ukrainian economic reform. It is a high-risk strategy. But the benefits of a successful stabilisation programme for the countries' 200m inhabitants make it worth the gamble.

Representatives of the Group of Seven countries meeting in Paris today have a crucial opportunity to endorse the IMF's Ukrainian efforts, by agreeing on a \$900m package to help fill the \$5.5bn hole in the country's 1996 balance of payments. By the standards of past packages to help east European reformers, \$900m is a meagre price - relative to the size of the country - for supporting reformist president Leonid Kuchma.

Back in December, the US and several European countries were wary of giving balance of payments financing without the reassuring presence of the IMF. The Europeans, at least, are now more convinced. The remaining obstacle to a deal appears to be President Bill Clinton's reluctance to risk a congressional battle on the unpopular subject of additional foreign aid.

end of the month, if the balance of payments support is forthcoming. Under the IMF's auspices, Mr Kuchma has also won support from Russia, which agreed to restructure some \$2.5bn of Ukraine's debts on Monday.

Mr Clinton should note that the successful rescheduling of Ukraine's debts to Russia, despite the two countries' unresolved political differences over Ukraine's Crimean peninsula, indicates that western involvement, when finely judged, can be a force for good in the region. Mr Michel Camdessus, head of the IMF, is owed credit for seeking to disentangle the fate of macro-economic reform from ongoing Crimean and other disputes.

Mr Clinton should also remember that the package the US needs to support will hardly secure Ukraine an easy ride. The IMF programme aims at lowering monthly inflation to 1 per cent by the end of 1995, down from the 21 per cent recorded in January. This means reducing the state budget deficit to a little over a third of its 1994 level, or 3.3 per cent of GDP. Mr Kuchma wishes to avoid drastic cuts in welfare programmes, but that means steep cuts elsewhere: particularly in politically sensitive agricultural and coal mining subsidies, and public sector wages. It is up to Mr Kuchma to deliver on his economic promises. But G7 support would give him a deserved opportunity to try.

Sheep kill goats

It's proving a horrible 1995 so far for Pakistan's stockmarket punters. The Karachi market, Pakistan's largest, is down nearly a third over the past five months. Growing lawlessness on the streets of Karachi and worries about Pakistan's economic performance have resulted in Pakistan being the worst-performing stockmarket so far this year.

Adding insult to injury, the country's business community plans to go on strike next Saturday. In a move to stem the stockmarket decline, Pakistani stockbrokers have had to make some personal sacrifices. Last Sunday, 10 black goats were paraded around the trading floor of the Karachi Stock Exchange. They were then slaughtered as a sacrifice to Allah outside the KSE building. The meat was distributed to the poor.

The goats died in vain, it seems. The market fell on Monday and Tuesday and now stands at its lowest level in 16 months. Maybe they should have terminated some bears.

End of the line
They don't make merchant bankers like George Spiro any more. Spiro, who died last week at the age of 88, was the oldest

chairman of a quoted company and one of very few bankers to emerge from the 1970s secondary banking crisis with his reputation intact.

Like many bankers of his generation, Spiro was an Anglo-Pakistani. He was born in England from Eastern European and joined the board of Wintex, a small textile company, in 1935.

Wintex grew into the Wintex merchant bank and Spiro has been chairman since 1988. When it was floated on the stock market in 1970 it had a net worth of £1.7m, a balance sheet of £5m and a staff of 27. Today it has assets of over £100m, a net worth of £30m and a staff of 24.

It has never made any acquisitions nor issued any paper. Spiro was always more interested in the strength of his balance sheet than the size of his published profits. This unfashionable belief helps explain Wintex's lowly stockmarket rating.

But it also helps explain why Wintex is still around long after the likes of London and County Securities have long since disappeared. Richard Spiro, 50, who now takes over from his father, promises that things will change. Pity.

Mistaken talk
A mea culpa from the world's most famous investor. Warren Buffett, the ageing sage of Omaha, Nebraska, doesn't always get it right - but then who does?

Buffett's latest annual letter to shareholders, full of its usual folksy wisdom, differs from past productions because it highlights the great man's biggest mistakes. As he says himself, it was a "vintage year". The silver medal goes to a decision at the end of 1993 to sell 10m shares in Capital Cities/ABC at \$63 each. Within a year, they had risen to \$85.

No question which was Buffett's golden blunder. Five years ago he backed USAir. Buffett has just written down the investment to 25 cents on the dollar. The 71-year-old investor blames it on "loopy analysis". He failed to realise that, after deregulation, high-cost airlines would be unable to compete. Many more comments like that and Warren's halo is going to need some urgent refurbishment.

Rueing the day

Don't read *Gold Follies* for the torrid sex scenes, but Rupert Pennant-Rea's thriller, written in 1978 and dedicated to his parents, certainly represents a bizarre case of - well, art foreshadowing life. The heroine of the book is Caroline Manning, a 29-year-old Harvard-educated Barbican dwelling journalist. With her "rich black hair swept back off her face, a style which owed much to the expensive attention of the Vidal Sassoon salon in Brook Street", she possesses beauty and brains and "usually succeeded in getting

[what she wanted]". Crucial in the chain of events that enables Manning to break her story that America and Russia are poised to go to war over South Africa's gold supply is her meeting with James Glendinning. A highflyer at the Bank of England, Glendinning, painfully sunburnt and ineptly posing as a BBC correspondent, meets her in a bar at Jo'burg's Carlton Hotel. He gets taken to bed - (very mild scene) - the first evening. "Buttressed up, that's your problem" is her affectionate analysis as she moves in for the kill.

Several involved twists later, Manning places her scoop in *The Guardian* while Glendinning realises his fate is sealed. He is named in the story, with his efforts to bring the primary gold market back to London detailed for all to see. As he steps off Concorde, the ghastly truth sinks in. "He'd been caught in the web and would shortly be eaten alive."

He'd have to leave the Bank, his career in ruins.

FT Tips
This purports to be a true story. A friend recently checked in late at a Dublin hotel and, on being asked whether she wanted anything delivered to her room the next morning, asked for the FT. The desk clerk replied: "Sorry - we have Earl Grey tea and Chinese tea, but not FT."

Financial Times

100 years ago

The Indian Budget
The remainder of the excess over the estimates for the year 1894-95 can be traced to an increase in the railway earnings and the Excise receipts on the one hand, and to economies in expenditure on the other. We have then a small surplus, which will in all probability be realised, instead of a deficit for the year 1894-95. There has been a certain amount of luck in this, especially as regards the opium revenue, the increase in which could not possibly have been foreseen.

50 years ago

Fight of the lira
All the reports from Italy seem to suggest that the financial situation is drifting dangerously, alike in occupied and liberated territory. Prices have skyrocketed and, on the black market, the value of the lira has lost considerable ground. Reports from Milanese sources state that the country has reached a condition of economic exhaustion owing to the war and to requisitioning. In the south, fiscal measures included the seizure of the property of high Fascist officials, while, in the north, new restrictions on private property are expected.

Italy's inflation nears 5% as mini-budget is passed

By Robert Graham in Rome

Italy's annual inflation rate is running at close to 5 per cent, double the official forecast for 1995. The rate reflects the impact of the lira's devaluation and tax increases already introduced as part of the Dini government's mini-budget.

According to preliminary figures released yesterday for nine leading cities, consumer prices have increased in March on average between 0.7 per cent and 0.8 per cent. This means that the annualised rate is about 4.9 per cent, compared with 4.3 per cent in February. The government is aiming for a rate of 2.5 per cent by the end of 1995.

The mini-budget proposed by Mr Lamberto Dini, the prime minister, completed its final parliamentary passage last night with a vote of confidence in the

senate. However, the government has already introduced by decree a series of price increases, most notably on petrol.

These increases, plus rises in value added tax (VAT), are expected to add between 0.5 per cent and 0.8 per cent to inflation this year as a whole, but the government insists the effects will be most noted in the first half of the year and be fully absorbed by the end.

The official March figures are not due to be published by Istat, the official statistic institute, until the first week of April. But, traditionally, the variation between these and the preliminary statistics has been slight.

Confindustria, the industrialists' confederation, said the figures had already been discounted as a result of increases in indirect taxes, but warned: "We must now avoid this [increase in indi-

rect taxes] restarting the inflationary spiral."

The foreign exchange markets yesterday showed they had anticipated a worsening of Italy's inflation. The lira, for the second day, continued a modest recovery from last Friday's dramatic 5 per cent decline to over L1,270 (73 cents) against the D-Mark. Yesterday, the lira was fixed at L1,222 against the German currency.

However, the main fear among economists now is that a mix of continued political uncertainty and weakness of the lira will encourage inflationary expectations. Mr Dini is well aware of this and is anxious to ensure that pension reform is quickly agreed by the government, the trades unions and parliament.

Dini slaps curbs on media during elections, Page 2

Bonn and Paris call on US to prop up the dollar

By David Buchanan in Paris

France and Germany urged the US to take action to support the dollar, which fell to a new low against the Japanese yen in European trading yesterday.

After a regular meeting of the Franco-German economic and financial committee, Mr Hans Tietmeyer, the Bundesbank president, said that while the "dominant" indicator guiding the German central bank was the country's money supply, rather than the exchange rate, "we will see if we have some small margin to lower interest rates".

Such action would ease pressure on the franc which recently weakened to nearly FF3.60 to the D-Mark. Mr Tietmeyer said he was "convinced that the franc will never hit its floor" with the European Monetary System of FF3.69 to the D-Mark.

Meanwhile, the dollar fell to a fresh low against the Japanese yen in Europe but later strengthened. The dollar tumbled below the previous low of 88.65 yen, recorded on Monday, to 88.35 yen before recovering.

Germany backed France's call for the US to prop its currency up. Mr Günter Rexrodt, the German economy minister, who joined Mr Theo Waigel, the Bonn finance minister in Paris for yesterday's meeting, called on the US to take "all necessary measures" to support the dollar.

But Mr Edmond Alphandery, France's economy minister, made clear that he was not suggesting an emergency meeting of the Group of Seven countries to discuss the dollar. He said that a G7 meeting planned for late April in Washington would suffice.

The French and German ministers and central bankers said their currencies' "present party" - FF3.55 to the mark at yesterday's close in Paris - "does not reflect the economic fundamentals".

On current policies, both countries would be ready for economic and monetary union "in time", according to the statement. It did not specify whether this would be in 1997 when a majority of the 15 European Union states will be needed for any currency merger, or the final Maastricht deadline of 1999.

The communiqué claimed that Germany already met the Maastricht criteria for EMU, while France "will have to pursue" its budget deficit reductions to do so. Both countries pledged to "oppose vigorously any attempt aimed at bending these criteria" by other EU states.

For his part, Mr Edouard Balladur, the French prime minister, said in an interview with the Tribune newspaper that, if elected president, he planned to get France's overall borrowing down to 3.5 per cent of GDP next year, and to the Maastricht guideline of 3 per cent by 1997.

THE LEX COLUMN

Bayer's cost headache

Bayer, the German chemicals group best known for Aspirin, is suffering a mighty headache. The pain is caused by its domestic manufacturing operations, hit by the high labour, environmental and tax costs of operating in Germany, compounded by the D-Mark's strength. Bayer has already responded by restructuring its fibres and dyes operations. Now, despite aggressive cost-cutting, it admits some of its chrome and intermediates businesses are at risk. In all, it may move 10 per cent of its entire domestic production capacity to other countries.

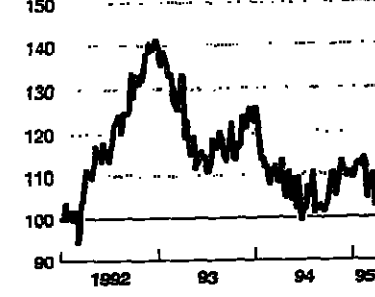
Such difficulties afflict much of German industry. Rather than complaining to the politicians, Bayer is voting with its feet. Since 1981, the proportion of group investment made abroad has increased from 42 to 55 per cent. Most new capacity is being built in Asia. Given the manufacturing costs in the region, Bayer's goal of achieving operating margins of 10 per cent looks increasingly attainable.

However, the strategy is not without a price. Bayer's dividend is paid only from domestic earnings: that is so German shareholders can receive a tax credit, effectively increasing the dividend's value by 30 per cent. But as Bayer scales back its German operations, domestic earnings growth is likely to fall behind that of the whole group. Despite Bayer's huge cash flow, the dividend is already barely covered. Any slowdown in dividend growth could affect the shares' rating.

FT-SE Eurotrack 200:
1358.0 (+0.4)

BAT

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

tobacco companies.

But the tide is turning for the industry. The Republican victories in last year's elections have diminished the likelihood of more punitive excise taxes on cigarettes. And yet the companies' share prices still carry enormous risk ratings. BAT Industries trades at an estimated 45 per cent yield premium to the UK stock market, and Philip Morris is closer to 80 per cent against the US market. The long-term outlook for cigarette sales in the western world is not inspiring, given these premiums look excessive, given the strong cash flows that are being channelled into building new markets, and supporting generous dividends.

Tobacco companies

It is an unlikely connection, but a judgment on a US haemophilia class action has lifted a heavy cloud from the tobacco industry. US cigarette manufacturers may have defeated hundreds of US legal actions over the decades. But there were inevitable concerns over a class action where lawyers were happy to talk of up to \$100bn of potential costs. The decision to block a similar case by 10,000 haemophilia patients does not ensure this threat is over. But a favourable appeal by the likes of BAT Industries and Philip Morris is now far more likely.

That would not mean the end of legal concerns. Several US states are pushing to recover the costs of treating smoking-related illnesses. And even if the threat of class actions is eradicated, it will take one maverick US judgment to push analysts back to calculating the risks to

Crédit Lyonnais

Yesterday's complaints by Crédit Lyonnais's main banking rivals over the terms of its rescue are spot on. The French government's financial engineering cannot disguise the fact that a FF50bn (\$10bn) hole in Crédit Lyonnais's balance sheet is being plugged with cash from SPBL, a state-backed entity. Paying FF135bn for assets which are worth perhaps only FF65bn is a subsidy however it is dressed up. True, Crédit Lyonnais faces penalties - in particular, it will receive a sub-market interest rate on the FF135bn loan it is making to SPBL to finance the purchase of its own poor-quality assets. But given that interest on the loan will be 85 per cent of market rates after the first year, while the assets yield only 2 per cent, the subsidy is still large.

No amount of financial engineering can conjure up FF60bn. But Crédit Lyonnais could be put under greater

pressure to improve its future performance. One option, advocated by its rivals, is to reduce the interest rate Crédit Lyonnais receives on its loan to SPBL. That would cut the subsidy but also knock the bank's profits, so giving it a stronger incentive to extract value from its remaining business.

The chances of such an approach being adopted are slim. With the French presidential election looming, the government will not want to tinker with a package that has been painstakingly put together. The European Commission also appears to have given its informal approval. But before giving its final approval, the Commission should insist that the subsidy is kept to a minimum.

Bank of England

The Bank of England has done much to enhance its credibility in recent years. Mr Rupert Pennant-Rea's resignation as deputy governor is unlikely to prove more than a temporary setback. Though he supported and helped implement reforms at the bank, his principal author is the governor, Mr Eddie George.

The biggest change has been the Bank's pre-emptive strike against inflation. Financial markets are still reluctant to give Mr George full credit for his "stitch in time saves nine" policy of raising interest rates before inflation becomes ingrained. But credibility is growing. Market expectations of the extent to which interest rates will need to rise have been sharply scaled back since the start of the year.

The verdict on the bank's other main task - banking supervision - is more open. Mr George and Mr Pennant-Rea have rightly been applauded for not bailing out Barings with taxpayers' money, in what marked a break with previous practice. But it remains to be seen whether the bank failed to supervise Barings adequately in the first place.

Mr Pennant-Rea's resignation would only cause the bank long-term damage if it concluded that there was now no point in hiring outsiders. Most institutions - and especially slightly stuffy ones like the Bank of England - benefit from outside blood. Mr Pennant-Rea fulfilled a useful role in challenging received wisdom. It would be a mistake to appoint his replacement from within the bank's ranks without first searching further afield.

See additional Lex comment on Prudential, Page 22

Bank of England

Continued from Page 1

to resign. However, they said that, following the publication by the Sunday Mirror newspaper of details of the affair last weekend, they felt his position had become untenable.

The governor, Mr Eddie George, said he understood why his deputy felt he had to quit. "I greatly respect his determination to minimise any damage to the bank," he said.

Mr George said that Mr Pennant-Rea had made "an immense contribution to our policy work and in particular has brought an outsider's perspective to the administration of the bank".

His main legacy is likely to be the biggest management restructuring since 1980, which has seen the bank reorganised into two main wings - one responsible for monetary policy and the pursuit of low inflation, the other responsible for banking supervision and surveillance of the financial markets.

A former colleague at the bank said: "He came in with the express intention of blowing away some of the cobwebs in the place."

Mr Pennant-Rea's appointment to the bank was a break with tradition because his previous job was editor of The Economist magazine, rather than being a bank official or City of London banker.

UK Tories set to win crucial farms vote

By Kevin Brown in London

The UK government was last night poised to restore its technical majority in the House of Commons as MPs prepared to back the cabinet's approach to reform of the European Union's common agricultural policy.

Ministers expected to win a healthy majority in a crucial vote on how farm subsidies are distributed in the EU, in spite of a determined attempt by Labour to tempt Eurosceptic Conservatives to vote for an amendment criticising the government.

Three of the nine Eurosceptic MPs excluded from the Conservative parliamentary party were expected to vote with the government, prompting a likely invitation from Mr John Major, the prime minister, to rejoin the Tory ranks.

The other six rebels were expected to abstain, along with the nine Ulster Unionist party MPs. A handful of other Tory Eurosceptic MPs said they would make up their minds during the debate, but were expected to support the government.

The restoration of the Tory whip to three of the rebels, who had withdrawn in December last year after they defied ministers in a key debate, would give the government a majority of one compared with a minority of five before last night's vote.

The government will probably slip back into a minority following two by-elections - not likely before June - for vacant seats, which are expected to be won by opposition parties.

However, overtures to the remaining rebels are unlikely in the short term. "Most of them don't want to come back. They are quite happy as they are, so what is the point of grovelling to them," a senior minister said.

Tory divisions on Europe will be highlighted today when Eurosceptic MPs pack a normally obscure committee to attack plans for uniform external frontier controls, including a common visa requirement for non-EU citizens.

In a highly unusual move, Mr Michael Howard, UK home secretary, is expected to address the committee to head off a threatened revolt by Eurosceptic Tories who want the issue referred to the House of Commons for a full debate.

Mr Jack Straw, the main opposition Labour party's home affairs spokesman, tabled two amendments to last night's vote in an attempt to maximise Eurosceptic support. But Labour MPs expected the move to fail.

Mr Tony Blair, Labour party leader, yesterday said the Conservatives were "divided, ill-disciplined and lacking in any sense of purpose or direction".

Fiat man set to lead world trade body

Continued from Page 1

ers, under WTO rules the final decision requires a consensus of all 128 countries entitled to vote. A final decision on appointing Mr Ruggiero has to be taken by a formal meeting of the WTO General Council and under the organisation's consensus rules,

any country could block it.

In Geneva diplomats reacted with relief yesterday to the news that the contest was over.

Mr Ruggiero, whose career spans government, diplomacy and business, is seen as committed to free trade and the need to defend the interests of all WTO members.

However, many trade officials are unhappy about having Mr Kim foisted on them as a fourth deputy. African countries complained yesterday that the creation of a new deputy post for Mr Kim would further marginalise their continent in the WTO and made clear they would expect some compensating move.

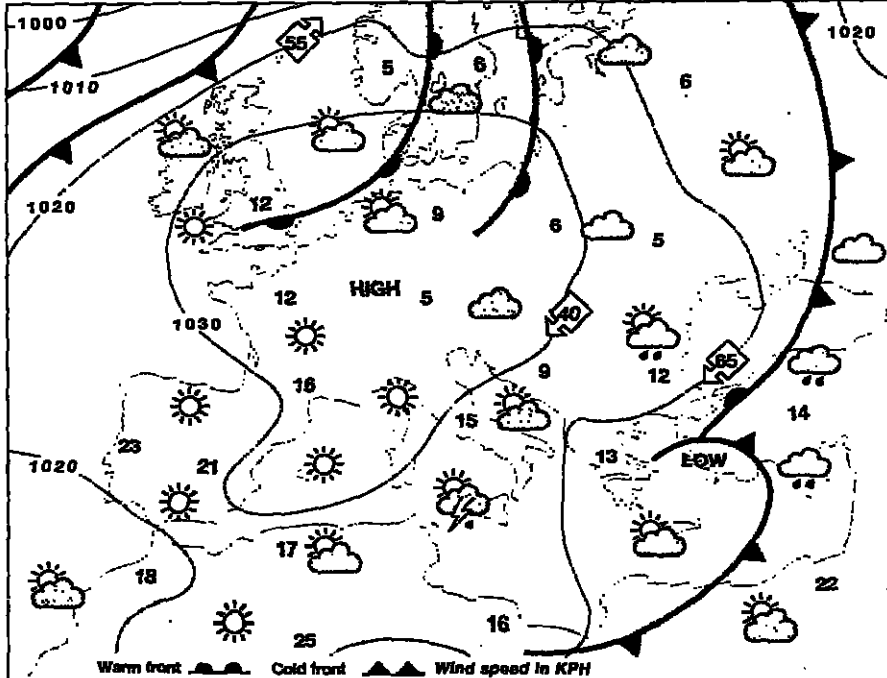
FT WEATHER GUIDE

Europe today

A strong high pressure system over Germany and the Benelux will bring bright and dry conditions to most of western Europe but it will still be cool from Belgium to France. Southern Spain will be Europe's warmest spot with afternoon temperatures near 25C. Central Europe will be dry but cool with temperatures only between 10C-14C even into northern Italy. It will stay cool north-east of the Alps and it will remain cloudy east of Germany. Eastern Europe will, in general, be unseasonably cold and cloudy with heavy rain in Turkey and Greece. Warm and moist air will surge across northern Scotland causing a rapid rise in freezing levels and heavy rain. Scattered thunder showers will affect the eastern Mediterranean.

Five-day forecast

Western Europe will have a lot of sun and will become warmer. The warming trend will reach eastern Europe on Friday. During the weekend, unsettled conditions and cooler temperatures will return from the northern Atlantic. The eastern Mediterranean will remain unsettled.



Situation at 12 GMT. Temperature maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Location	Maximum	Minimum
Alger	18	8
Amsterdam	12	5
Antwerp	12	5
Athens	18	10
Birmingham	12	5
Bombay	32	24
Buenos Aires	22	14
Calcutta	32	24
Cairo	28	18
Cardiff	12	5
Chennai	32	24
Copenhagen	12	5
Dublin	12	5
Edinburgh	12	5
Hong Kong	28	20
London	12	5
Los Angeles	22	14
Madrid	18	10
Mumbai	32	24
New York	18	10
Paris	12	5
Rangoon	28	20
San Francisco	18	10
Singapore	32	24
Tokyo	18	10
Winnipeg	12	5

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INTERNATIONAL COMPANIES AND FINANCE

Bull poised for two-stage sell-off

By David Buchan in Paris

Motorola of the US and NEC of Japan are looking to build stakes of 17 per cent in Groupe Bull, paving the way for a two-stage privatisation for the French state-controlled computer company.

The government had originally hoped to bring the 93 per cent public stake in Bull - 76 per cent held by the state and a further 17 per cent owned by France Telecom - down to a minority in a single operation.

The European Commission is insisting on privatisation by

the end of the year as its condition for approving the FF11bn (\$2.2bn) in state aid given to Bull in 1993-94. In order to try to bring big industrial partners into Bull, the government had solicited bids of 10 per cent or more.

However, when last week's deadline closed for bids, only two offers met this condition. NEC, which already holds 3.7 per cent of Bull, announced it was looking to enlarge its stake to 17 per cent; yesterday it emerged that Motorola was the only other bidder of the same scale.

Two other companies - IBM,

which has 1.8 per cent of Bull, and IPC of Singapore - indicated they were only interested in smaller stakes.

However, government officials believe that NEC and Motorola are big enough as partners and have activities that complement those of Bull to make a first-stage "opening of (Bull's) capital" feasible.

It was suggested last night that smaller investors like IBM and IPC, and any others, could be brought into the company in a second-stage operation after the presidential elections in May.

A condition of the bidding

procedure was that only those bidding for 10 per cent or more of the company were allowed full access to the computer group's books.

This condition would have to be relaxed in any second-stage operation to allow IBM and IPC to make firm offers.

Mr Jean-Marie Descarpentries, Bull chairman, forecast a net profit this year, after the group turned its FF1.59bn operating loss of 1993 into a FF237m operating profit last year.

After provisions, the net loss was cut to FF1.96bn last year from FF5.1bn in 1993.

Loss sparks resignation offers at Italian bank

By Andrew Hill in Milan

The chairman, deputy chairman and six directors of Banco di Napoli, the troubled Italian bank, have agreed to resign following a record loss of L995bn (\$574m) for 1994.

Shareholders of the Naples bank, one of Italy's largest, will decide at a meeting at the end of next month whether to accept the resignations or replace the board.

Only one board member, Mr Giovanni Somogyi, has refused to step down.

Mr Luigi Coccioli, chairman, announced the biggest loss in the bank's 450-year history last Tuesday, five months after predicting the institution would recover from the heavy first-half deficit.

The Italian treasury has agreed to step in with a capital injection and a transfer of assets to shore up the bank.

At a meeting on Monday evening, Mr Coccioli and the bank's joint managing directors explained the heavy losses of 1994 to the foundation which controls the company.

Mr Coccioli has blamed the loss partly on the depth of recession in southern Italy, which left Banco di Napoli with a portfolio of bad loans.

Naples' city council agreed an all-party resolution last Friday, calling on the board to step down. Speculation about Mr Coccioli's successor has centred on Mr Piero Barucci, the former Italian treasury minister who is a senior manager at Credito Italiano, the Milan bank.

In the last six months, Banco di Napoli's accounts and management have come under scrutiny from its main shareholders - the treasury and the controlling foundation - and from the Bank of Italy.

The authorities increased the pressure last year after Mr Ferdinando Ventriglia, former managing director, was persuaded to step down, ending an era of political control over the bank.

Mr Somogyi hinted yesterday that the rest of the board's offer to resign could be linked to new attempts to gain political control of the bank.

Hungary names advisers for bank stake flotation

By Virginia Marsh in Budapest

Schroders, the UK merchant bank, and Creditanstalt Securities Budapest, part of the Austrian financial services group, have won a hotly-contested race to advise on the sale of Országos Takarékpénztár és Kereskedelmi Bank (OTP), the Hungarian national savings and commercial bank.

The state, which owns 90 per cent of OTP, the country's largest bank, is expected to sell about 30 per cent by the end of June. The privatisation is likely to be one of the biggest in Hungary this year.

Officials said 17 companies had been invited to tender for the mandate, and that the Schroders and Creditanstalt team won after being short-listed along with N.M. Rothschild, the US merchant bank, and Credit Suisse First Boston, the investment banking subsid-

ary of CS Holding, the Swiss financial services group.

Schroders is also advising the state on the sale of MVM, Hungary's electricity monopoly. Last year, with Creditanstalt Securities, it advised on the international private placement and flotation of the country's largest pharmaceutical company, Richter Gedeon, in the biggest privatisation since the Socialist-led government took office eight months ago.

Hungarian officials said the state was not seeking a strategic partner for OTP, which holds around 60 per cent of domestic household savings and 90 per cent of local government accounts. Instead, around 30 per cent of the bank is to be offered to domestic and international institutional investors via a private placement. This will be followed by the sale of around 5 per cent through a domestic public offer. Employ-

ees and management will also be offered 5 per cent.

The state has said it wants to remain the largest single shareholder in the bank. It plans to keep 25 per cent, and to limit foreign investors to maximum stakes of 5 per cent. The two state social security funds are each expected to be given 10 per cent of OTP as part of the government's obligation to allocate FF300bn (\$2.6bn) in state assets to them.

Yesterday's announcement comes just a week after Credit Suisse unexpectedly pulled out of negotiations to purchase a majority stake in Budapest Bank, a large Hungarian commercial bank.

Officials say OTP has share capital of FF38bn, and had a net asset value of around FF41bn at the end of 1994. Shares are expected to be offered at around 180 per cent of face value, they said.

Mixed fortunes for French insurers

By David Buchan

Assurances Générales de France, the French state-owned insurer due to be privatised this year, yesterday reported a drop in net profits in 1994 to FF680m (\$161m), while Union des Assurances de Paris, privatised last year, said net profits rose 10 per cent in 1994 to FF1.56bn.

UAP said it had increased profits in spite of an extra FF4.4bn in provisions for property loans and sluggish activity.

Turnover rose to FF151.6bn, up 7.2 per cent but only 2.9 per cent without taking account of acquisitions.

This was largely due to a downturn in activity in the UK life insurance market which led to a 16 per cent drop in the turnover of Sun Life, its UK subsidiary.

Mr Jacques Friedmann, UAP president, hailed the profit increase, which he said had been achieved in spite of the fact that UAP had faced "unfavourable financial market conditions and the deepening of the property crisis in France".

At AGF, consolidated premium income rose to FF268.5bn, up 5.4 per cent for 2.9 per cent discounting the effect of acquisitions. Gross profits rose to FF1.7bn last year from FF1.44bn in 1993.

but after depreciation net profit fell to FF680m last year from FF977m in 1993.

AGF encountered difficulty last year abroad, where gross profits from life insurance fell to FF674m, from FF1.68bn in 1993. In non-life insurance, the group fell to a FF122m loss compared with a FF791m gain in the previous year.

Bank-related and financial activities produced reduced losses to FF708m, from FF2.4bn the year before. This was largely due to the problems at the Comptoir des Entrepreneurs property business.

This business is now under the management control of

AGF, which pledged to turn it around, following a government-supported rescue.

By contrast, AGF did better in its core insurance activity abroad, winning a total of FF30.2bn of international business and earning the group a total of FF236m gross. AGF said its one-third stake in Aachener und Münchener, the German insurance group, accounted for a large portion of this profit.

AGF was scheduled for privatisation by the end of last year, but is still hoping for a sufficient recovery in the bond and equity markets to be floated after the May presidential election.

New-look Incentive lifts profits to SKr2bn

By Hugh Carnegie in Stockholm

Incentive, the diversified Swedish industrial concern controlled by the Wallenberg family, yesterday announced a leap in profits for 1994, a year in which the group's structure was transformed through acquisitions and divestments.

Profits after financial items - and excluding contributions from non-consolidated associates - jumped to SKr2.08bn (\$284m) from SKr2.91bn in 1993.

Including contributions from associates, pre-tax profits reached SKr3.8bn compared with SKr966m in 1993. The chief contributions were SKr1.3bn from Incentive's

share in Asea, the Wallenberg-controlled part-owner of the Swedish engineering group Asea Brown Boveri, and SKr327m from a minority holding in Electrolux, the household appliances group.

Mr Mikael Liljus, chief executive, said he expected earnings to improve further this year. However, the annual dividend was raised by only SKr1 a share, to SKr8.

Incentive is the industrial operating sister company to Investor, the Wallenbergs' main blue-chip investment vehicle. Incentive underwent extensive restructuring last year, the feature of which was the acquisition of Gambro, a medical equipment specialist.

Incentive acquired Gambro by

buying the company's former parent, Cardio, from Volvo. It has since sold off or re-floated the remainder of the parent.

Incentive also bought MacGregor-Navire, the world's leading supplier of shipboard cargo handling equipment, and sold a number of subsidiary interests, including its controlling stake in Esab, the big welding equipment group, to Charter of the UK.

The group now operates six divisions: medical technology, transportation, environmental equipment, materials handling, power generation, and a so-called development division which includes Hasselblad cameras.

The restructuring lifted group sales in 1994 to

SKr18.4bn from SKr12.8bn, with international operations now accounting for 80 per cent.

Profits were boosted by one-off capital gains of SKr900m from divestments. However, Incentive reported increased operating profits for all six divisions, with all but one - medical technology - increasing operating margins.

In spite of all the activity, net debt was driven down to SKr6.7bn from SKr12.2bn, and the equity-to-assets ratio rose to 50 per cent from 40 per cent. Mr Liljus said the emphasis would now shift from "a period of restructuring to a period of building".

He said there were no plans for Incentive to shift its Asea and Electrolux holdings.

Chemicals fuel recovery as Bayer hits acquisition trail

By Jenny Luesby in Leverkusen

Bayer, the German chemicals group, said yesterday sales and earnings in the first two months of the year had confirmed that last year's good performance would continue.

With cash flow of DM5.7bn (\$1.1bn) last year, and negligible gearing, the company could be making pharmaceutical acquisitions in the DM200m-DM600m (\$142.8m-\$428.5m) range this year, said Mr Manfred Schneider, chairman.

The upturn at the group is being driven by its chemicals businesses, with polymers leading the way. Buoyant demand in the automotive and electrical industries pushed polymer operating profits to DM266m last year, from an operating loss of DM113m in 1993.

Organic chemicals also posted strong gains, with sales up 12 per cent, but the overall profitability of the business was held back by weakness in dyes and pigments.

This situation would improve from July 1, however, when textile dyes were due to be hived off into a joint venture with Hoechst, with the loss of 300 jobs, said Mr Schneider. About 150 of the job losses would be in Germany.

The fibres business also performed badly, although it did break even, following a restructuring. Within the agrochemicals business, animal health sales rose 8 per cent, and crop protection by 7 per cent, lifting profits DM190m to DM421m on sales of DM4.304m.

Healthcare, however, remained the group's most profitable business, although extraordinary charges for restructuring of the pharmaceuticals and diagnostics business drove operating profits down DM280m to DM1.65bn on sales of DM11.17bn. This cut the operating margin to 15 per cent.

The group appeared to soften its tone on the possibility of a demerger of its chemicals and pharmaceuticals business. It said it had no plans to split the

businesses, but was keeping such an option under review.

In any event, the pharmaceuticals business will be reorganised on April 3 into four regional businesses: Europe, North America, Japan and the rest of the world. The businesses would report to central management in Leverkusen, but would have independent responsibility for their markets, said Mr Schneider.

In addition, research and development would become a separate entity. R&D spending rose only marginally last year, by DM20m to DM3.2bn.

Regionally, the strongest growth was in Asia and Latin America, where a decision last summer to take out forward currency contracts cushioned the group against the Mexican peso crisis. A currency-related fall in sales in Canada, however, constrained sales growth in North America to 6 per cent. In the US, the company said yesterday it was on target to recoup the \$1bn price tag for the North American Bayer within six years.

SUMMONS TO ANNUAL GENERAL MEETING

Holders of Repola Ltd shares are summoned to attend the company's Annual General Meeting, to be held on Thursday 6th April 1995 beginning at 14.00 hours at Marina Congress Center, address: Katjanokanlaituri 6, 00160 Helsinki, Finland. Registration of shareholders who have announced their intention to attend, together with the distribution of voting slips, will begin at 13.00 hours Finnish time.

THE MEETING WILL DEAL WITH THE FOLLOWING:

1. All matters pertaining to the Annual General Meeting as listed under § 16 of the Articles of Association.

INFORMATION

Photocopies of documents pertaining to the accounts will be available for inspection by shareholders from 28 March 1995 onwards at Repola Ltd's head office (address below). Photocopies of these documents will be sent to shareholders on request. The company's annual report will also be available from the same date and copies will be posted to all shareholders whose names appear in the list of the company's shareholders kept by the Central Share Register of Finland.

RIGHT OF PARTICIPATION

Shareholders wishing to attend the Annual General Meeting must be registered in the list of the company's shareholders kept by the Central Share Register of Finland no later than 10 days prior to the meeting.

Shareholders whose shares have not yet been transferred to the book entry system also have the right to attend the Annual General Meeting provided they were registered in the company's Share Register before 28 February 1994 or have informed the company and proved their share ownership. Such shareholders must present their share certificates for inspection at the Annual General Meeting or furnish proof of where the shares are kept or that the right of ownership of the shares has not been transferred to a book entry account.

Shareholders wishing to attend the Annual General Meeting must inform the company by 12 o'clock noon on 4 April 1995 at the latest by writing to: Repola Ltd, Share Register, Snellmaninkatu 13, P.O. Box 203, 00171 Helsinki, Finland, or by telephoning +358 0 1828 314 or +358 0 1828 347, or by telex +358 0 1828 380. Written notice of a shareholder's intention to attend the meeting must arrive before the deadline stated above. Any letters of authorization must be submitted at the time the shareholders concerned inform the company of their intention to attend.

PAYMENT OF DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of FFA 250 per share be paid in respect of the 1994 financial year. In view of the transfer of shares to the book entry system, dividend will be paid to those shareholders who, on the record date, are registered in the list of shareholders kept by the Central Share Register of Finland. The Board of Directors has determined 12th April 1995 as the record date for purposes of distributing dividend. The Board of Directors will propose to the Annual General Meeting that dividend be payable from the end of the record period on 19th April 1995.

In the case of shareholders permanently resident outside Finland, tax will be deducted from the dividend at source.

Helsinki, 16 March 1995

SUPERVISORY BOARD



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USD 50,000,000 -
FRN Due 2005

Bondholders are hereby informed that the rate for the coupon NP4 has been fixed at 6.875% relative to the period from March 21st, 1995 to September 21st, 1995.

The period has 184 days and the coupon price for the USD 1,000 notes is at USD 31.63.

for the USD 10,000 notes at USD 316.25 and for the USD 100,000 notes at USD 3,162.50 and will be payable as of September 21st, 1995.

The Principal Paying Agent

CREDIT LYONNAIS



N&P
£150,000,000

Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 20th June, 1995 has been fixed at 6.875% per annum. The interest accruing for such three month period will be 117.25 p.a. (117.25 p.a. = 117.25 p.a. x 100/100 = 117.25 p.a.)

Union Bank of Switzerland
London Branch Agent Bank
20th March, 1995



Midland Bank plc
£500,000,000 Undated
Floating Rate Primary
Capital Notes

The Rate of interest has been fixed at 6.875% p.a. The interest payable on the relevant interest Payment Date September 22, 1995 against coupon No 20 in respect of £500,000 nominal of the Notes will be US\$341.81.

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Highlights

Operating profit	US\$1,047M	+26.2%
Profit attributable to shareholders	US\$713M	+19.4%
Investment property portfolio	US\$8,311M	+5.4%
Net assets per share	US\$5.73	+6.2%
Earnings per share	US\$44.9	+19.4%
Dividends per share	US\$17.8	+21.9%

"Prospects for 1995 are good."

P D A Sutch

Chairman, Swire Pacific Limited
Hong Kong, 17th March 1995

- Notes:
1. Amounts per share refer to 'A' shares. Entitlements of 'B' shareholders are in proportion 1 to 5 compared with those of 'A' shareholders.
 2. All the above figures have been translated from Hong Kong dollars into United States dollars at an exchange rate of US\$1 = HK\$7.80.
 3. Dividends are declared in Hong Kong dollars.

KOREA EXCHANGE BANK

USD 100,000,000
Floating Rate Notes
Due 1997

Interest rate: 6.875%
Interest period: 22.04.95 to 22.04.96
Interest payable per:
USD 250,000 Note: US\$ 8,736.81
USD 500,000 Note: US\$ 17,473.61

By Fuji Bank (Luxembourg) S.A.
Agent Bank

DINOSIA EPIPHRIS

(Public Power Corporation)
ECU Denominated Floating Rate
Notes due 1997

NOTICE IS HEREBY GIVEN that for the interest period commencing on 23rd March 1995, the Notes will bear interest at the rate of 7.5% per annum. The interest payable on 23rd June, 1995 against Coupon No. 35 will be ECU 18.975 per ECU 1,000 nominal.

Fiscal Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

Crystal Castle Euro-Finance Limited

U.S. \$150,000,000
Guaranteed Asset-Backed
Floating Rate Notes Due 1999

In accordance with the terms and conditions of the Notes, notice is hereby given that the interest rate for the Interest Period 3/26/95 to 3/26/96 is 7.5% per annum. The Coupon Amount payable on the 21st June, 1995 for notes with original principal amount of U.S. \$10,000,000 is U.S. \$167.50.

Bankers Trust
Company, London
Agent Bank

150

When teamwork matters,
you are in safe hands with UBS.

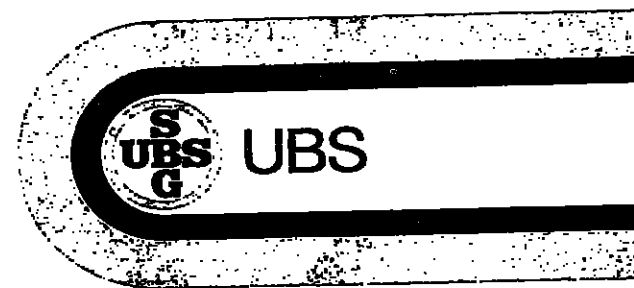


There's no question about the standing of UBS in international equities markets. Of all major investment banks, our European sales and research team is one of the largest in the world.

The size and scale of our research operation reflects our structuring, distribution and underwriting capability, while our sales effort – based on constant contact with over 2,500 institutions worldwide – leaves no stone unturned.

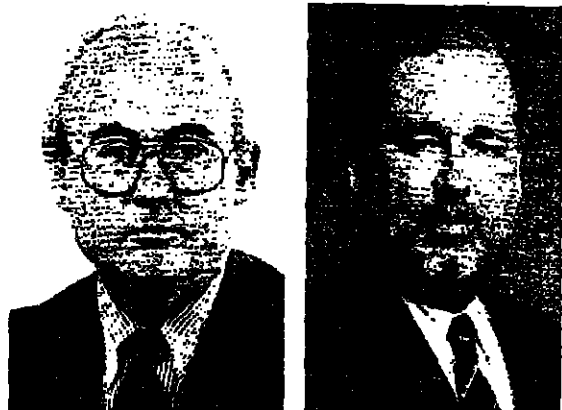
In 1994, we participated in 66 European equity and equity-linked issues distributed internationally, with a total value of over US\$19.2 billion.* UBS was actively involved in 50% of the total raised in equity markets.

Effective teamwork, depth of resource and an exceptional track record: reasons why, when the outcome is important, you are in safe hands with UBS.



UBS Limited is a member of the Union Bank of Switzerland group of companies. UBS Limited is a member of the SFA. UBS Limited, 100 Liverpool Street, London EC2M 2RH. *Source: Bondware

PLACER DOME INC.



W.M. (Bill) Hayes

J.K. (Jay) Taylor

The appointment of W.M. (Bill) Hayes to the position of President and Chief Executive Officer, Placer Dome Latin America Limited (PDLA) of Santiago, Chile, and of J.K. (Jay) Taylor to President and Chief Executive Officer of Placer Dome U.S. Inc. (PDUS) of San Francisco, U.S.A., is announced by John M. Willson, President and CEO of Placer Dome Inc., effective March 15, 1995.

Mr. Taylor was previously President and CEO of PDLA. He succeeds C.E. (Cole) McFarland who retires as President and CEO of PDUS after 38 years with the Placer Dome organization. Mr. Taylor holds a Bachelors degree in geological engineering and a Masters degree in mining engineering, both from the University of British Columbia, Canada. He has been with Placer Dome for 23 years in British Columbia and South America. In 1989 he was transferred from a mine management position in Canada to Chile to initiate Placer Dome's operations in that country.

Mr. Hayes was most recently CEO of Compañía Minera Mantos de Oro, a 50%-owned Chilean joint venture that operates La Colpa gold-silver mine. He joined Placer Dome in Chile in 1989 and subsequently served as Vice-President and Treasurer of Placer Dome Inc. in Vancouver before returning to Chile. From Vermont, he holds degrees from the University of San Francisco and the American Graduate School of International Management.

Placer Dome Inc. of Vancouver, Canada, is an international mining company organized in four geographic regions, that operates 16 mines, 13 of them gold mines, in six countries. Two new mines start production in mid-1995 and feasibility studies are under way for development of three more.

NOTICE IS HEREBY GIVEN OF THE ANNUAL GENERAL MEETING

to be held at Julius Baer Bank and Trust Company Ltd., Kirk House, Grand Cayman, Cayman Islands on the 18th day of April, 1995 at 10 a.m.

- AGENDA**
- To receive and consider and, if thought fit, adopt the accounts presented by the Directors for the year ended 31st December 1994 and the reports of the Directors and Auditors.
 - To consider the re-election of Jose Balaguer as Director, following his appointment by the Directors to replace Clifford Smith.
 - To ratify the acts of Directors.
 - To approve the appointment of Price Waterhouse as Auditors and authorize the Directors to fix the Auditors remuneration.

By order of the Board
LIQUIBAER Julia Baer U.S. Dollar Fund Limited, P.O. Box 11 00, Grand Cayman, Cayman Islands.

A shareholder holding registered shares is entitled to attend, vote and appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the company.

A shareholder holding bearer shares is entitled to attend and vote. Exercise of these rights in respect of bearer shares will be recognized only on presentation at the Meeting of the bearer certificate or satisfactory evidence of the holding. Such evidence may be obtained by depositing the certificate with one of the

LIQUIBAER
JULIUS BAER U.S. DOLLAR FUND LIMITED GRAND CAYMAN
A company incorporated in the Cayman Islands under limited liability

Loral buys Unisys defence units

By Louise Kahoe
in San Francisco

Unisys, the US computer and defence group, is to sell its defence and aerospace business units to Loral, a large US defence contractor, for \$882m in cash.

The sale is the latest in a series of consolidations in the US defence industry over the past two years in response to the Pentagon's spending cuts.

Unisys has seen its defence revenues and profits decline sharply. The sale comes 3½ years after Unisys first proposed spinning off its defence operations to focus on commercial information technology.

"The sale of our defence business is the last major step in re-positioning our portfolio of businesses," said Mr James Unruh, Unisys chairman and chief executive.

"It will enable us to focus our entire energy and resources on our continued transformation from a traditional computer company to a services-led information management company."

Unisys said it did not expect the sale to have a material effect upon its financial performance because savings would offset the loss of profits from the defence business.

The company said the proceeds would be used for investments in its core businesses, general corporate purposes, and possibly for repurchase of its securities.

The operations to be sold employ about 8,500 people in Eagan, Minnesota; Great Neck, New York; Salt Lake City, Utah; and Montreal, Canada. They had revenues of \$1.4bn in 1994, a decline from the previous year.

Included in the sale are Unisys' military electronics systems integration, program management, software and custom product design and manufacturing businesses which make a wide range of control systems for missiles, warships, helicopters and surveillance aircraft.

The sale also includes Unisys' postal sorting systems, weather systems, and air traffic control systems businesses, which have historically been part of the company's defence operations.

However, Unisys will retain its federal systems and health information management business units, which provide commercial information systems and services to the US government and public sector.

Loral, which is believed to have been the highest bidder

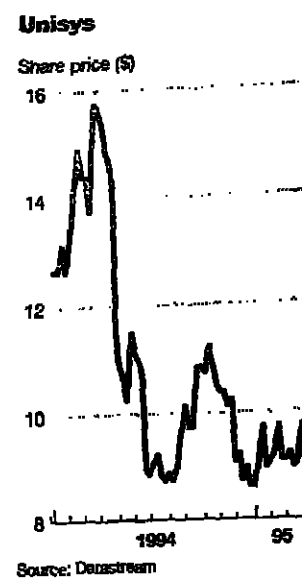
for the Unisys defence operations in a three-way contest with Raytheon and Hughes, the US defence groups, said the effective purchase price for the Unisys businesses was about \$798m after agreed contractual adjustments.

The transaction is expected to close by the end of September, subject to regulatory approvals.

"This acquisition represents a strategic building block for Loral," said Mr Bernard Schwartz, chairman and chief executive.

"The Unisys defence operations fit extremely well with ours," he added.

"We expect the acquisition to increase Loral's annual earnings by 20 cents a share in the first full year of operations, even before giving effect to the benefits of synergies and productivity enhancements," Mr Schwartz said.



Source: Comshare

Net income at ConAgra rises 14% in third term

By Laurie Morse
in Chicago

ConAgra, the Omaha, Nebraska-based food processor and commodity trader, reported third-quarter net income rose 14 per cent as the company enjoyed rising profits from its prepared foods and grocery operations.

The company reported earnings of \$118.5m, or 49 cents a share, in the quarter ended February 26, up from \$103.7m, or 43 cents, in the same quarter of 1994.

Sales were up 3 per cent to \$5.76bn in the quarter, from \$5.58bn a year ago.

Mr Philip Fletcher, chairman, said: "We are investing substantial capital and management energy to improve plants and business systems and leverage our powerful brands."

"We are especially pleased with the continuing growth of Healthy Choice's total diversified product line-up." Healthy Choice is ConAgra's branded frozen and prepared foods range.

Mr Fletcher said he expected the 1995 fiscal year to produce record earnings for the company.

For the first nine months of the year, ConAgra's net income was \$345.2m, or \$1.43 a share, up from \$305.3m, or \$1.26, in the first nine months of 1994.

Sales in the year to date were up 4 per cent to \$18.25bn, from \$17.6bn a year ago.

The company is a leading meat packer in the US and abroad. It said its beef business in Australia raised third-quarter operating profit, but that nine-month earnings in that segment were down due to unfavourable business conditions in the first half.

ConAgra's large fresh chicken processing arm saw a sharp decline in operating profits during the quarter, in part due to growing competition.

During the third quarter the chicken products business was moved into ConAgra's refrigerated products group to boost its performance.

Borden sells RJR shares for \$638m

Borden, the US foods group, has sold 111m RJR Nabisco shares at \$5.75 each, raising \$638m, Reuter reports from Columbus, Ohio.

After the offering, Borden will not hold any RJR Nabisco shares.

Kohlberg, Kravis Roberts, the US buy-out specialists, granted the RJR shares to Borden last week to help Borden's balance sheet, as KKR divested itself from the food and tobacco group while bolstering Borden's new acquisition.

The gross proceeds are before commission payment to Goldman Sachs, which handled the offering.

The proceeds will be used to give Borden flexibility to reduce debt, reshape its financial structure and invest in Borden's businesses.

Ciments Français cuts deficit to FF171m

Losses at Ciments Français, the French construction materials company, narrowed to FF171m (\$24.4m) in 1994 from FF166m a year earlier, agencies report.

Revenues fell slightly to FF13.28bn from FF13.46bn last time.

At the operating level, profit rose to FF1.698bn from FF1.047bn. The company said it expected to record further improvements in operating income in 1995.

It said sales estimates for the first quarter indicated a slight increase from a year earlier for both cement and construction materials.

Ciments cited marked contrasts between different coun-

tries in the first quarter. Sales were stable in France and advancing in Spain, Belgium and North America, but the downturn in the Turkish market, which started in the second half of last year was continuing.

The company said operating income improved last year as a result of reduced costs and improved profitability.

The net loss figure of FF171m includes the payment of a FF166m fine to the European Commission which is being appealed against.

Ciments said. Asset sales totalled FF933m in 1994, bringing the total for the past three years to FF3737bn.

Stet will seek listing on New York Stock Exchange in June

By Andrew Hill in Milan

Stet, Italy's state-controlled telecommunications holding company, will seek a listing on the New York Stock Exchange in June, Mr Ernesto Pascale, the group's managing director, said yesterday.

Stet is already listed in Milan, as is Telecom Italia, its main operating subsidiary. The government is expected to sell off its majority stake in Stet later this year. The government, and Stet management, confirmed yesterday that they favoured safeguards to avoid the company falling under foreign control.

Mr Pascale said Stet's main

shareholders should be "Italian or predominantly Italian". "The Italian telecommunications and information sector is a national asset: it would be good if it stayed in the hands of Italian investors," he said.

Separately, Mr Agostino Gambino, Italy's telecoms minister, told a parliamentary committee that foreign investors would not be prevented from taking part in the privatisation, "but they would certainly have to take account of national strategic demands in this sector".

The government is considering selling its entire 61 per cent stake in Stet, which is held through IRI, the state

holding company, to a consortium of Italian banks. Two rival groups of banks have presented proposals to buy all the shares, establish a core of strategic investors, and sell the other shares on to the public.

IRI has said the sale could take place only after the listing of Stet's shares in New York, and the demerger of Telecom Italia's mobile telephone business. Yesterday, Mr Francesco Chirichigno, Telecom Italia's managing director, said the demerger would take place on July 17.

Shares in Telecom Italia, one of Italy's biggest companies, rose more than 5 per cent yesterday on record 1994 profits.

Philip Morris in joint venture with PepsiCo

Philip Morris, the US tobacco and foods group, and PepsiCo, the US soft drinks company, have formed a 50-50 joint venture to market ready-to-drink canned coffee in Asia, agencies report from Hong Kong.

The venture, Maxwell House Beverage, formed by Kraft Foods International, a Philip Morris unit, and Pepsi-Cola Manufacturing, a PepsiCo unit, will introduce canned coffee in Guangzhou and Shanghai, China, next month.

The venture plans to expand throughout China and into countries in Asia, excluding Japan and Korea where Kraft

Foods has existing coffee alliances.

The venture expects the new coffee products to generate sales of about 30m cans in the first year, growing at double-digit rates over the next few years.

The product will be available in 250 ml cans. Kraft Foods said research showed ready-to-drink beverages were increasing in popularity in Asia.

"We wish to capture a substantial share of the growing ready-to-drink coffee segment," said Mr James King, Kraft Foods' president in the Asia Pacific region.

Fischer in the black at SFr63m

By Ian Rodger in Zurich

Georg Fischer, the Swiss motor components and machine tools group, has reported net income of SFr63m (\$54m) for 1994, compared with a loss of SFr34m in 1993 and a nominal SFr11m profit in 1992.

The directors said they anticipated a further "significant" improvement in profit this year, and have recommended a partial restoration of dividends to 6 per cent after two years with no payout.

Fischer, best known as a leading supplier of castings to European motor companies, emerged last year from two years of difficult restructuring,

shedding several marginal and declining businesses and reorganising its core areas.

Fischer sales rose 3 per cent to SFr2.17bn and new orders were up a 10 per cent to SFr2.21bn.

Operating income more than doubled to SFr115m from SFr46m and all divisions contributed to the improvement.

The motor components division, achieved a 7.9 per cent advance in sales to SFr711m, thanks to the stronger export performance of the German motor industry, and a 25 per cent advance in new orders improved the operating rate and profits.

The piping systems segment recorded sales of SFr544m, compared with SFr532m, and was benefiting from economic recovery in Germany.

The troubled Charmilles machine tool division achieved the greatest progress, with a 25 per cent rise in sales to SFr390m and a "marked" improvement in its profits.

Sales in the equipment and plant construction division declined slightly to SFr522m from SFr534m, reflecting pricing pressures and a low level of investment spending.

Group net debt at the end of the year was SFr441m, SFr74m lower than at the end of 1993.

Paper recycling rules under pressure as shortages bite

By Bernard Simon
in Toronto

The tight global newsprint market has increased pressure on North American publishers and local governments to turn a blind eye to environmental rules on the use of recycled material.

According to several publishers and newsprint producers, security of supply has become a higher priority than compliance with rules specifying minimum recycled content. Although precise regulations differ, US states and Canadian

governments are generally phasing in a recycled content of 40-60 per cent in newsprint.

A senior executive at one Canadian newspaper supplier said yesterday that "everybody wants to obey the rules. But when there's a shortage of newsprint, nobody worries about how much recycled content you have in it".

The newsprint shortage is partly due to strong exports to fast-growing south-east Asian markets, where prices are higher than in North America. Many mills have resorted to an informal rationing process

for their domestic customers. Kruger, a large Canadian producer, earlier this month advised all customers that it would cut supplies by 10 per cent from April 1.

The market has been distorted by a steep rise in the price of old newspapers (ONP) used for recycling. ONP prices have shot up over the past year from US\$20 a tonne to about \$120 a tonne on the eastern seaboard.

As a result, some producers are replacing recycled pulp with cheaper virgin fibre. For example, a mill

south-west of Toronto operated by Quno, which is controlled by the Chicago Tribune, reduced the recycled content of its newsprint last month from about 75 per cent to 70 per cent.

Florida recently dropped an "advance disposal" tax which was designed to encourage publishers and local authorities to ship old newspapers outside the state.

Newsprint producers are due to raise their prices to \$675 a tonne on May 1, compared with a low of \$420 at the beginning of last year.

There is speculation that some producers are planning further increases in July and September.

However, Mr John Maine, analyst at Resource Information Systems, a US consultancy, predicted some let-up in the second half of this year.

Mr Maine said newsprint demand would be dampened by lower newspaper circulation caused by recent cover price increases, and by a fall-off in classified advertising as a result of softening activity in the housing and vehicle sectors.

The Exxel Group, S.A. Oppenheimer & Co., Inc.

announce the formation of

The Argentina Private Equity Fund II, L.P.
\$150,000,000

An affiliate of The Exxel Group, S.A. is the Managing General Partner.
An affiliate of Oppenheimer & Co., Inc. is the Administrative General Partner.

Oppenheimer & Co., Inc.
New York, Atlanta, Boston, Chicago, Fort Lauderdale,
Houston, Los Angeles, Miami, St. Louis, Seattle

February 28, 1995

CONFEDERATION TREASURY SERVICES LIMITED

(the "Corporation")

NOTICE

to the holders of the outstanding £100,000,000
9½ per cent, Guaranteed Notes 1997 of the Corporation
(the "Noteholders" and the "Notes" respectively)

NOTICE IS HEREBY GIVEN to the Noteholders that, at the Meeting of Noteholders convened by the Notice dated February 17, 1995 published in the Financial Times and the Luxembourg Wort on that date and held on March 15, 1995, the Extraordinary Resolution set out in such Notice was passed. Accordingly, a committee of Noteholders, whose members are UBS Limited and UBS Inc., with the powers and authorities conferred by the Extraordinary Resolution, has been appointed with effect from March 15, 1995. In addition, the modifications of changes in and omissions from the Fiscal and Paying Agency Agreement pursuant to which the Notes were issued, which are set out in paragraph 1 of the Extraordinary Resolution, were assented to. The amendment to the Fiscal and Paying Agency Agreement will be considered by all of the original parties thereto, including Confederation Life Insurance Company and the Fiscal and Principal Paying Agent.

This Notice is given, in its capacity as Fiscal and Principal Paying Agent, by Banque Generale du Luxembourg S.A.
27 rue de la Monnaie,
L-2051 Luxembourg
Dated as of 15 March 1995

CONFEDERATION TREASURY SERVICES LIMITED

(the "Corporation")

NOTICE

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This Notice is given, in its capacity as Fiscal and Principal Paying Agent, by Hamilton Bank Limited
41 Tower Hill
London EC3N 3HA
Dated as of 15 March 1995

castorama

20% INCREASE IN GROUP PROFITS IN 1994

	1992	1993	1994	
	307	393	474	FFR million
	+ 20 %	+ 28 %	+ 20 %	
FFR million	1993	1994		Increase
Sales (including VAT)	13,749	14,829		+ 8.5 %
Adjusted net profit				
TOTAL	393	474		+ 20.6 %
Attributable to the Group	375	468		+ 24.3 %
Earnings per share	FFR 28.40	FFR 34.00		+ 19.7 %

In 1994, the Castorama Group recorded an underlying net profit of FFR 474 million, a rise of 20.6%, reflecting the steady improvement in the profitability of the 128 Castorama stores and the 6 Dubois Matériaux wholesale outlets. Castorama created 400 new jobs in 1994.

Since the start of 1995, there has been steady strong growth in trading. New stores have been opened at Plan de Campagne in Marseille and Wildau in Berlin. By the end of June, five more stores will have been opened.

The meeting of shareholders on 12 May 1995 will be asked to approve a net dividend of FFR10.80 per share, to be paid in cash or in shares.

Bonus issue

Given its strong profits and fine outlook for growth, Castorama intends to launch a bonus issue of shares at the beginning of July. Each shareholder will be entitled to 1 new share for 10 shares held after the dividend payout.

Castorama - Shareholder Relations Dept.
59175 TEMPLEMARIS - Tel: (33) 20.87.75.11

INTERNATIONAL COMPANIES AND FINANCE

Nasdaq operator unveils proposals to calm critics

New trading system, similar to that of the NYSE, aims to improve price protection, writes Maggie Urry

The second largest stock market in the world, the US National Association of Securities Dealers which operates the automated quotation system (Nasdaq), has recently had a lot of unpleasant questions to answer.

It is being investigated by the US Justice Department and the Securities and Exchange Commission, and faces law suits accusing collusion and price fixing to the detriment of investors.

However, this week NASD responded to its critics with a proposal intended to improve price protection for investors.

Ironically, the solution that NASD proposed would make its trading system more like that of the New York Stock Exchange, the establishment exchange against which Nasdaq has been seen as an upstart rival.

Over the years, Nasdaq has become a thorn in the side of the NYSE, the so-called Big Board.

Nasdaq, which concentrates on smaller, faster growing stocks and has succeeded in keeping big technology stocks such as Microsoft, Intel and Apple Computer, on its lists, has grown rapidly, taking an increasing percentage of share dealing in the US.

Set up in 1971, Nasdaq accounted for 38 per cent of shares traded in the US by 1984. By 1994, that had grown to nearly 49 per cent, exceeding in volume terms, although not in value, the Big Board's portion.

However, Nasdaq has frequently been criticised in its relatively short life.

Last year, new accusations, stemming from an academic study, led to the investigations and law suits.

It started when two university academics stumbled on an unusual market practice of quoting most share prices in quarters, leaving out the odd eighths.

Last May, they wrote a paper reporting their findings, and their conclusion of collusion by market makers.

A similar system was adopted by the London Stock Exchange after the Big Bang in 1986.

The NYSE, by contrast, uses a system of specialists, rather like the old London jobbers, who make books in shares and adjust their prices according to the orders coming in.

The academic study said that by leaving out the odd eighths, Nasdaq dealers could ensure a minimum spread of a 1/4 between the bid and offer prices shown on traders screens.

That spread would be wider than might be expected from

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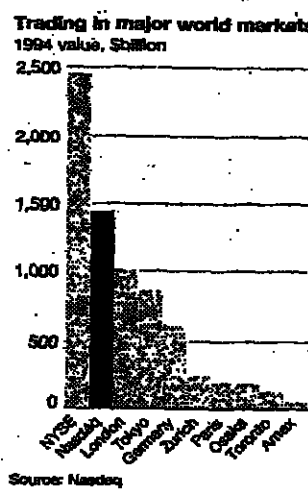
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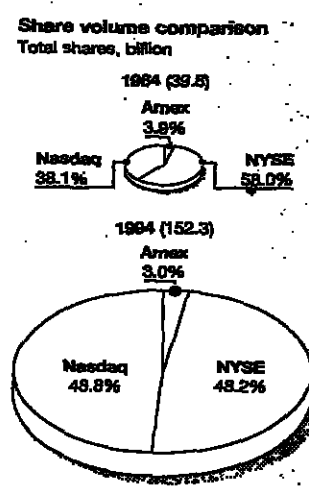
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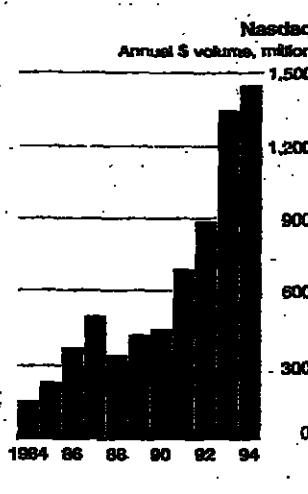
The growth of Nasdaq



Source: Nasdaq



Source: Nasdaq



Source: Nasdaq

Nasdaq's system of competing quotes and, it was claimed, served to protect market makers' profits at the expense of investors.

The allegation of collusion gained strength when spreads suddenly narrowed the day after the study was made public.

Under the new Access system which Nasdaq proposed this week, investors could put in limit orders - orders where they specify the price at which they want to deal - for 3,000 shares or fewer at a price inside the bid and offer spread displayed at the time.

Those orders would be automatically executed if they matched another order in the system.

The investor would therefore

achieve a better price than could be obtained from a market maker. More important, investors could be sure of priority for their orders, as a new rule would forbid any other trade on Nasdaq being made at the specified price or higher.

This is similar to the precedence an investor gets on the NYSE when he puts an order into the specialist's book.

Mr Peter Jenkins, head equity trader at the mutual fund management group, says that Nasdaq's proposed system looks as if "they are creating an electronic book more like a specialist's book".

Under the current Nasdaq system, he says, he can be trying to deal through one broker

at a certain price and be unable to fill the order even though other trades are being done at that price.

Under the new system his order would have priority.

Mr Jenkins says he will be happier to deal under Access, so long as the system is properly policed.

Professor William Christie of Vanderbilt University, one of the authors of last year's study, says it "certainly looks like an improvement that addresses some of the issues head-on."

But while investors are happy, market makers might not be. Their profits will be squeezed if investors can deal inside the market spread.

Mr Joseph Hardiman, president of the NASD, believes

that the cut in market makers' margins should be more than offset by a rise in the volume of trading as more investors are encouraged to deal on Nasdaq.

Publicly, market makers say they welcome the change. Merrill Lynch, one of Wall Street's leading brokers and a Nasdaq market maker, said the proposal "goes a long way to answering recent investor concerns".

It is in its interests, Merrill Lynch says, that its clients are served and protected in all markets.

Another broker said "this is an acknowledgement by Nasdaq that serious, legitimate questions were being raised that were having an effect on the marketplace."

Investors were reluctant to trade. Whatever the cost to us it is worth it to enhance investor confidence. A more trustworthy market will attract more volume.

While Nasdaq appears to have suffered limited damage so far from last year's bad publicity - there was no increase, for example, in the number of companies shifting from a Nasdaq quote to a NYSE listing - it was imperative that it was seen to be taking action.

This week's proposed changes have yet to gain the approval of the SEC, and the necessary technology must be developed.

If Nasdaq can pass those tests, it can hope to continue its rise and the Big Board may have to look to its laurels.

Brazilian chemicals group plans production expansion

By Patrick McCurry in São Paulo

Brazil's Rhodia-Ster, a recently-formed joint venture controlled by Rhône-Poulenc, the French chemicals and pharmaceuticals group, said it would invest \$460m in expanding its production of polyester-based products in the next four years.

Nearly half the investment will be spent on increasing production of PET resin and packaging, which is used to make products such as plastic bottles, bags and food packaging.

About four-fifths of the total investment would be made in Brazil, said president Mr Patrick Caillaux.

Demand for polyester-based products in South America has been growing at more than 9

per cent during the past decade, compared with about 7 per cent worldwide, he said.

Rhodia-Ster was created last May by Rhodia, the Brazilian subsidiary of Rhône-Poulenc, and Celbras, a unit of Sinasa, the Brazilian chemicals company.

Twenty-seven per cent of the company was floated last December in an international share offering. The IPO raised about \$180m, which was mainly used to pay for Rhodia's capitalisation of the new company.

Mr Caillaux said that the new investments would allow Rhodia-Ster to increase production of PET resin to 180,000 tonnes by the end of 1996 and to 287,000 tonnes by the end of 1997, compared with 70,000 tonnes at present. Much of the

increase will be achieved through the doubling of production at the company's plant in Minas Gerais state.

Mr Caillaux said a joint venture to make PET resin in Venezuela was being negotiated with Manter, a Venezuelan company, and that Rhodia-Ster planned to begin construction this year of a plant near Buenos Aires with a capacity of 80,000 tonnes a year.

Other planned investments include \$97m in production of PTA, the main raw material for polyester, \$84m in polyester fibre and \$47m in polyester film. The company expects to finance the investments through cash flow.

From May to December 1994, Rhodia-Ster reported net sales of \$288m and after-tax profits of \$48.2m.

Portugal sets date to price telecom sale

By Robert Gibbons in Montreal

Portugal plans to price shares in state telephone company Portugal Telecom on May 25, a few days before it sells about 25 per cent of the company in a first phase of privatisation, said Mr Carlos Costa, secretary of state responsible for telecommunications, Reuters reports from Lisbon.

Mr Costa said the pricing would follow a PT privatisation roadshow to Geneva, London and New York. The sale of the shares would take place on the Lisbon, London and New York stock exchanges a few days later, he said.

Portugal Telecom was created last June from the merger of three state-run telecommunications companies to agglomerate the sector into one company ahead of privatisation.

Ontario Hydro returns to black

By Robert Gibbons in Montreal

Ontario Hydro, one of Canada's two biggest electric power utilities and a big international borrower, reaped the benefits of two years of restructuring and posted 1994 net income of C\$85m (US\$101m) before special charges totalling C\$288m.

In 1993, there was a loss of C\$3.6m after write-offs and restructuring charges.

In 1994, the utility reduced total debt by C\$650m to C\$34bn and it expects a further reduction of C\$3.3bn by the end of 1997.

Geac Computer, one of the world's top three makers of computer systems for libraries, lifted net profit to C\$23.4m, or 81 cents a share, in the first nine months to January 31, up

38 per cent from C\$16.9m, or 60 cents, a year earlier.

Sales rose 22 per cent to C\$137m, an increase of 22 per cent.

Third-quarter profit advanced to C\$8.5m, or 30 cents, up 47 per cent from C\$5.8m, or 20 cents, on sales of C\$49m, up 27 per cent.

Geac has broadened its markets beyond library institutions - it has supplied systems to the Vatican Library and France's Bibliothèque Nationale - into building, hotel and property management systems.

The Toronto company recently bought Faxfax in the US, which makes systems for the fast-food industry and has won contracts from several big banks to centralise their accounting records.

Notice of a Revision in the Optional Exchange Price

DAIWA INTERNATIONAL FINANCE (CAYMAN) LIMITED

(the "Company")

Y50,000,000,000

Step-down Exchangeable Subordinated Guaranteed Bonds

(the "Bonds")

Exchangeable for shares of common stock of and guaranteed on a subordinated basis by

The Daiwa Bank, Limited

REVISION IN OPTIONAL EXCHANGE PRICE

Notice is hereby given that pursuant to Condition 4(A) (iii) of the terms and conditions of the Bonds and Clause 6(B) of the Trust Deed dated 30th March, 1994, the Optional Exchange Price will be revised as set out below:

1. Optional Exchange Price before revision: Yen 1,097.00

2. Optional Exchange Price after revision: Yen 827.00

3. Effective Date of the revision: 31st March, 1995

DAIWA INTERNATIONAL FINANCE (CAYMAN) LIMITED

22nd March, 1995

U.S. \$45,000,000

Pulp and Paper International Investments Limited

(Incorporated in the British Virgin Islands with limited liability)

Floating Rate Guaranteed 2 1/2 year Amortizing Notes

Unconditionally and irrevocably guaranteed by

C.A. Venezolana de Pulpas y Papel S.A.C.A.

(Incorporated in Venezuela)

For the Interest Period March 22, 1995 to June 22, 1995 the Notes will carry an Interest Rate of 10.75% which consists of the Libor Rate 6.25% plus a Margin of 4.5%. The interest payable on the relevant Interest Payment Date June 22, 1995 will be U.S. \$2,080.42 per U.S. \$75,000 and U.S. \$10,302.08 per U.S. \$375,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

March 22, 1995

CHASE

INTERNATIONAL DEPOSITORY RECEIPTS

REPRESENTING SHARES PAR VALUE VALUE \$ 2.50 COMMON STOCK

J.P. MORGAN AND CO INCORPORATED

A cash distribution of \$ 0.75 per depositary share will be payable on or after the 21st April 1995 upon presentation of coupon No. 100 at:

Morgan Guaranty Trust Company of New York

35 Avenue Des Arts

1040 Brussels

Banque Internationale Luxembourg

2 Boulevard Royal

L-2953, Luxembourg

At the designated rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. \$ 2.50 J.P. Morgan & Co. Incorporated on 14 April 1995.

Shimizu International Finance (USA), Inc

Yen 5,000,000,000

Tranche A Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 22nd June, 1995 has been fixed at 3.50025% per annum. The interest accruing for such three month period will be Yen 6,404,861.11 per one Billion Note on 22nd June, 1995 against presentation of Coupon No. 1.

Union Bank of Switzerland London Branch Agent Bank

20th March, 1995

Shimizu International Finance (USA), Inc

Yen 5,000,000,000

Tranche B Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 22nd September, 1995 has been fixed at 2.4375% per annum. The interest accruing for such six month period will be Yen 12,490,277.78 per one Billion Note on 22nd September, 1995 against presentation of Coupon No. 6.

Union Bank of Switzerland London Branch Agent Bank

20th March, 1995

Consolidated Sales in 1994

by Industry

Total volume: DM 1,435 million

Electric steel 33%

Automotive, mechanical engineering 16%

Chemicals, environmental technology, electrical engineering 17%

Aluminum, silicon metal, iron and metallurgy 15%

Consolidated Sales 1992-1994

1992 1993 1994

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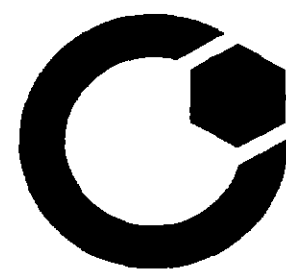
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... and
we are on
the right
road.

The thrust of our corporate strategy - now and in the future - is to increase earnings and enhance value. This was the driving force that led us to undertake a fundamental redirection of our Group so that today we are an international leader in our industry. It will also be the central pillar of our approach in the future. Carbon and graphite products are indispensable materials for demanding applications in various key industries. We will continue to drive our future success by consistently exploiting new avenues of growth to keep us on the right road. Our forthcoming public offering will help finance our future growth.



SGL CARBON AG
THE WORLD OF CARBON AND GRAPHITE

SGL CARBON AG Rheingaustr. 162 D-65203 Wiesbaden Germany

Issued by: SGL Carbon AG and approved by: Dresdner Bank AG and K

ANNUAL REPORT

GT Chile Growth Fund Limited

The Board of Directors of GT Chile Growth Fund Limited announced on 20 March 1995 the unaudited results for the Company for the year ended 31 December 1994. This is the fifth annual report of the Company.

Results for the year to 31 December 1994

	Year Ended 31.12.94 US\$	Year Ended 31.12.93 US\$
ASSETS		
Investments	253,646,805	413,862,431
Net current (liabilities)	(6,811,913)	(7,230,394)
NET ASSETS	246,834,892	406,632,037
Issued shares	12,000,000	12,000,000
Net Asset Value per share	\$20.57	\$33.89
INCOME		
Dividends and bond interest	14,742,422	16,589,305
Deposit interest	81,073	97,491
	14,823,495	16,686,796
Management expenses (Note 1)	(1,602,184)	(5,685,992)
Profit before taxation	13,221,311	11,000,804
Chilean taxation	(1,371,988)	(1,603,006)
NET INCOME	11,849,323	9,397,798
Earnings per share	\$0.99	\$0.78
Dividend per share	\$1.20	\$1.20
From earnings prior to 31.12.92	\$0.50	\$0.50
From earnings subsequent to 31.12.92	\$0.70	\$0.70
Note 1 - With effect from 1 January 1994 the management fee has been charged to capital reserves reflecting the objective of the Fund to achieve a total return	31.12.94	31.12.93
Chilean equities	99	97
Chilean bonds	2	5
Net current (liabilities)	(11)	(12)
	100	100

The Board is declaring a final dividend for the year of 60 cents per share which represents a recurring 25 cents and a further 35 cents in respect of the current year. This, together with the interim dividend, gives a total dividend of \$1.20 for the year. The dividend will be paid on 31 May 1995 to shareholders on the register on 13 April 1995.

Peter Stevens, Chairman of GT Chile Growth Fund Ltd, said: "Since the beginning of the year, share prices in Chile have held up relatively well at a time when the stockmarkets of Brazil, Mexico and Argentina have fallen substantially. It should be noted that the exchange rate policy and financial system of Chile have been less vulnerable to speculative attacks than those of the other three countries. We remain confident that an environment of substantial, export-led growth, together with falling inflation, will produce superior long-term returns for investors in Chilean securities."

The Board also notes the concern of a number of shareholders regarding the share price discount to net asset value. This situation reflects in part the legal structure of Chilean Foreign Investment Funds which under the relevant law currently prevents such funds being open-ended as well as imposing limitations in other ways. In exchange for this, these funds enjoy a preferential tax rate of 10% on income and capital gains rather than the standard rate of 35% which otherwise would have applied.

The Board is exploring all the possible steps to address the problem of the discount and shareholders will be kept informed as appropriate. By 14 March 1995 - the latest practicable date before the announcement of these results - net assets per share had risen to \$41.04.

The Company's Annual Report will be despatched to Shareholders as soon as possible. Copies of this statement will also be available from GT Management PLC (registered by FVR04, Alden Gate, 14th Floor, 127 London Wall, London EC2Y 3AS, United Kingdom).

BY ORDER OF THE BOARD
David Smith, Secretary
The Bank of Bermuda Limited, Bank of Bermuda Building, 9 Front Street, Hamilton, HM11, Bermuda.

FIFTH ANNUAL RESULTS

INTERNATIONAL COMPANIES AND FINANCE

Bank of Baroda plans Rs10bn share issue

By Peter Montagnon and R.C. Murthy in Bombay

Bank of Baroda, India's second largest bank, plans to raise about Rs10bn (\$317m) through a share issue later this year that will reduce the government's stake to 64 per cent from 100 per cent.

Mr K. Kannan, chairman, said the bank hoped to structure the issue in a way that would enhance earnings per share, which last

year amounted to Rs3.

Under this structure the bank would return some shares to the government at the par value which it originally paid. It would then cut the par value of its remaining shares and sell new shares to the public at a premium to the new lower par value.

This would reduce the number of shares in circulation and enhance earnings per share, which could rise to more than Rs11 in the next financial year,

according to Mr C.B. Ramamurthy, general manager.

Several other Indian banks, which are also planning share issues this year, are considering a similar structure. But there are doubts about whether the scheme will be approved by the government, as it would be forced to forgo benefits from the goodwill and earnings accumulated during the period of nationalisation.

Mr Kannan said Baroda was experiencing a strong profits

recovery as provisions fell. Most Indian banks were obliged to accumulate large loan loss provisions when accounting rules were changed as part of the government's economic reforms, but Mr Kannan said the bank was recovering some of the bad debts.

Profit after provisions for the current year to end March should be in the region of Rs1.5bn, he said, compared with Rs600m in 1993-94. Provisions should fall below Rs5bn

from Rs4.5bn previously. As part of its diversification in the wake of reforms, Mr Kannan said the bank was setting up a credit card subsidiary and was planning to expand in leasing.

Baroda had decided against raising money in the global depositary receipt market for the time being, but part of its issue, expected in late summer, could be denominated in foreign currency and reserved for non-resident Indians.

NEWS DIGEST

Daimler-Benz holding structure simplified further

The shareholding structure of Daimler-Benz, the German vehicle, aerospace and electronics group, has been further simplified with the dissolution of a company through which institutions held a significant stake, writes Andrew Fisher in Frankfurt.

Daimler said yesterday that Stella Automobil, an investment vehicle which held 12.3 per cent of the group, had ceased to exist after its investors had swapped their holdings for direct stakes in Daimler. Stella was formerly an important shareholder in Mercedes AG Holding (MAH), which held 25 per cent of Daimler shares and was merged into the group a year ago.

MAH was formed in 1976 to prevent a takeover by Iran when it was ruled by the Shah and had become a heavy investor in German industry as a result of its oil wealth. Iran wanted to buy a 33 per cent stake from Mr Friedrich Karl Flick, of the Flick industrialist family, but was forestalled by Deutsche Bank which purchased the holding and placed part of it with MAH.

Daimler decided it had no further need of MAH shares of which were quoted separately, when its stock was listed in the US in 1986. The group yesterday said it now had two large shareholders, Deutsche Bank with 24.4 per cent and Kuwait with 12.96 per cent. This is the first time the size of the Kuwaiti stake has been given.

CEPA posts HK\$235m earnings midway

Consolidated Electric Power Asia (CEPA), the electricity utility and infrastructure development group of Hong Kong-based Mr Gordon Wu, yesterday reported debut net earnings of HK\$235m (US\$32.15m) for the six months to the end of December, writes Simon Holberton.

During the previous period the company had been operating for only one month. Figures which the company said were indicative of how it would have traded if it had existed, showed a rise in net profit of 132 per cent.

In the previous six-month period the company had turnover of HK\$528m. Directors declared a maiden dividend of 6 cents for fully paid shares and 3.21 cents for partly-paid shares.

CEPA is a spin-off from Hopewell of its electricity generating and development business. Mr Sheldon Kasowitz, analyst at Jardine Fleming, said yesterday's results were good, however, CEPA was still in transition from Hopewell to a stand-alone power company.

The company said it had been granted preliminary planning approval from Beijing for a four-unit 660MW power station in Shenzhen and was actively negotiating a joint-venture agreement with its Chinese partner.

CEPA said that it was also pursuing opportunities in India and Pakistan. It described discussions with the former as "ongoing" while those with the latter as "progressing satisfactorily".

Ares-Serono tumbles 61%, halves payout

Ares-Serono, the Geneva-based biotechnology pharmaceuticals group, said its 1994 net income plunged 61 per cent to \$28.2m, and the directors are recommending a halving of the dividends, writes Ian Rodger in Zurich.

The group, which specialises in human fertility treatment, has been hard hit by the removal of some of its products from government reimbursement lists in Italy and Spain. Group sales were down 5 per cent to \$636.8m, but excluding Italy and Spain, they were up 22.3 per cent.

Ares said its results were also hurt by a shortage of hormones collected from urine for one of its leading infertility drugs. The use of recombinant DNA for production of the material in the future will eliminate the supply problem.

In spite of the poor performance, research and development spending was boosted 21 per cent to \$138.5m, mainly for the development of recombinant products, such as interferon beta, in the field of immunology/oncology.

Pre-tax profit from continuing operations was down 48 per cent to \$55.5m.

Coles Myer proxies approve share plan

The group said the dividend cuts, to \$F3 per bearer share and \$F1.20 per registered share, were in line with reduced earnings and reflected the board's commitment "to invest earnings in the future growth of the company".

The first cancellation plan caused some controversy, although it eventually passed comfortably. In this case, Mr Peter Bartels, chief executive, said yesterday: "Both the proxies we have received to date and our telephone polling of shareholders have been overwhelming in favour. We expect shareholders to approve the cancellation... this week."

Mr Bartels said the cancellation plan was a "closed end" listed investment trust called China Assets Holdings, trading at a near 60 per cent discount to its net asset value of HK\$7.65 a share.

Earlier this month, he told the company that funds controlled by Regent, which has bases in Hong Kong and Canada, owned 10 per cent of the company's capital and that he would be requisitioning an extraordinary meeting of the company's shareholders.

At the meeting, which he expects to take place in early May, Mr Mellon plans to call on shareholders to sack the company's management and directors.

In their place, he will ask shareholders to appoint Regent, at reduced fees, to manage the company's direct investments in China and its cash as a first step to the winding up and distribution of assets to shareholders.

Since its listing in April 1992, China Assets' share performance has been dismal. It was floated at HK\$8.58 a share and in the first month touched a high of HK\$14.10. However, since then it has had a virtually uninterrupted slide to its all-time low of HK\$2.67 last year. Yesterday, it closed at HK\$3.97.

What gives this particular assault on corporate Hong Kong an added frisson of interest is that China Assets is associated with some of China's leading political families through a leading shareholder, which also controls the company's fund manager, China Venturetech.

The company's high-level "connections" reach to the top of China's Communist party. One of China Venturetech's vice-presidents is Miss Chen Wei, the daughter of Mr Chen Yun, one of the elders of the Chinese communist party and a veteran of the Long March. Miss Chen's brother is a senior official at the People's Bank, China's central bank.

"As far as I'm concerned it doesn't matter who they are connected to," says Mr Mellon. "It's the shareholders who matter. China funds have attracted a lot of cash but have proved to be lousy investments."

China Assets has not taken

any action to force the company to pay dividends.

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A corporate vulture swoops on China Assets

Regent Pacific plans to wind up the fund, writes Simon Holberton

Mr Jim Mellon, managing director of fund managers Regent Pacific Group, describes himself as a "vulture" and, like a vulture on the wing, Mr Mellon circles corporate Asia looking for the weak and frail.

Late last year, Mr Mellon found one such case. It is a "closed end" listed investment trust called China Assets Holdings, trading at a near 60 per cent discount to its net asset value of HK\$7.65 a share.

Earlier this month, he told the company that funds controlled by Regent, which has bases in Hong Kong and Canada, owned 10 per cent of the company's capital and that he would be requisitioning an extraordinary meeting of the company's shareholders.

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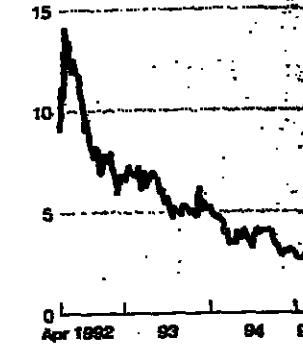
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China Assets Holdings

Share price since flotation (HK\$)



Source: FT Graphite

Regent's attack lying down, Mr Zhou Xiaohu, general manager of China Venturetech, has disputed Regent's right to call the meeting, claiming "it will invade shareholders' interests and is not the proper investment strategy in China".

But the company appears weak in defence to the questions Regent raises about its competence to administer the company's assets. China Assets lost about US\$3.5m on its first investment in China and more recently fumbled a share buy-back programme it began last November.

Mr David Cassidy, managing director of Standard Chartered Asia, China Assets' adviser, said the company would respond to Regent's criticisms of management "if and when" a meeting of shareholders was convened.

The real attraction of China Assets is not its Chinese assets but its cash. At the end of 1993 it had nearly US\$50m in cash.

Last year, it made investments of US\$18.58m, leaving about US\$31.4m in the bank. That is equivalent to about HK\$3 a share. As Mr Mellon's entry price was about HK\$2.70 a share, that makes the proceeds of the sale of the direct investments pure profit.

In addition to the 10 per cent of China Assets he controls, Mr Mellon claims to have the support of shareholders who own a further 20 per cent of the company. "Something will happen one way or the other this company will be restructured," he says.

It is unclear how China Assets plans to fight Mr Mellon. One line of attack could be to question Regent's ability to manage companies in China where, it could be argued, that contacts such as China Venturetech possesses, matter.

EURO DISNEY S.C.A.

CONVERTIBLE BONDS 6.75% - JUNE 1991
NOTICE OF CONVOCATION

The owners of convertible bonds 6.75% - June 1991 which constitute the Loan of FF 3,969,000,000 of the Company are invited to attend a General Meeting on April 10th, 1995 at 8.00 am at the registered office of the BANQUE NATIONALE DE PARIS - 1-3, rue La Fayette, 75009 Paris in Room n° 217 in order to consider the following agenda:

AGENDA

Approval of the decision of the Shareholders' Combined General Meeting on March 14th, 1995, taken under the Sixteenth resolution, authorizing the Grant of the Company, in accordance with authorizations given under the Fifteenth resolution approved during said general meeting, to proceed with the issuance, without shareholders' preferential subscription rights, of shares of the Company of warrants giving right to subscribe shares of the Company and of other securities giving right to the allocation, immediately or at a later date, of securities which may represent a portion of the share capital of the Company.

Powers for formalities.
In the event there is not a quorum or if, for any other reason, the meeting could not deliberate, a second meeting would be convened with the same agenda on Tuesday, 25 April 1995 at the same hour and place, Room n° 217.

In order to participate or to be represented in the meeting, the owners of registered bonds must be registered on a nominative account with the Company at least five days prior to the date of the meeting.

Owners of bearer bonds must, prior to the same date, justify the immobilization of their bondholding through their agent (bank, financial institution, stock broker).

The Gérant.

A "Société en Commandite par Actions" with a share capital of FF 3,825,186,795. Registered office: "Immeuble Administratif", Route BP 140, F 77777 Marne-la-Vallée (France). Mailing address: Commerce and Companies, Clémence B 334 173 887.



Are you looking to the future?

1 JUNE 1995

On this day, the settlement period for international securities will be reduced to T+3 business days to help bring about greater efficiency, lower costs and reduced risk within the industry.

Will you be ready?
10 WEEKS AND COUNTING



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INTERNATIONAL SECURITIES MARKET ASSOCIATION

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Hopewell cuts dividend 44%

By Simon Holberton in Hong Kong

Hopewell Holdings, the flagship company of Mr Gordon Wu, the Hong Kong-based entrepreneur, yesterday surprised the market when it announced a 44 per cent cut in its interim dividend to 10 cents a share after a 19 per cent fall in net profits to HK\$1.25bn (US\$162m) from HK\$1.54bn.

Profits were struck on a 25 per cent fall in turnover to HK\$1.19bn from HK\$1.61bn. Directors described the dividend cut as "prudent" in light of the "increasing cost of capital" as well as "the opportunity of the group's cash resources to be invested in its attractive infrastructure projects".

In view of Asia's infrastructure needs the company looked forward to long-term growth

and benefits, they said.

At the end of last year Hopewell raised HK\$7bn in loans from the Hongkong and Shanghai Bank to finance the company's take up of equity in Consolidated Electric Power Asia, its recently-floated electricity development and generation subsidiary. In December an instalment of HK\$2bn was paid, bringing Hopewell's interest in CEPA to 54.6 per cent.

Although dividend cuts are often associated with poor corporate news, the decision by Hopewell to reduce its interim pay-out may please many investors. They have been concerned in the past that the company has resorted to asset sales to maintain dividends at unrealistically high levels.

Hopewell sold assets again to help with dividend payments but this time analysts said

shareholders may view the sale more favourably. They may welcome the valuation which has been put on the company's highway development in southern China.

An unnamed Japanese trading house paid HK\$964m for a 2.5 per cent interest in the highway's toll revenues and commercial and retail property development opportunities on the road. This implies a value of HK\$38.5bn for the road and property, of which HK\$14.4bn accrues to Hopewell's remaining 37.5 per cent interest.

The main part of the highway, a 122.8km road from Shenzhen to Guangzhou, was opened on July 1. Detailed design of a 38km Guangzhou ring road is in progress, as is design of the 110km highway linking Guangzhou with Zhuhai.

INFORMATION FROM THE BANK OF ENGLAND



ISSUE OF £2,000,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 29 MARCH 1995

PAYABLE IN FULL WITH APPLICATION

With a competitive bid
With a non-competitive bid

Price bid plus accrued interest
£100 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 30 March 1995.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2015.

4. Stock issued under this prospectus will rank in all respects *pari passu*, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 26 January 1995, the original issue date of the Stock, until settlement on 30 March 1995 at the rate of £1.38082 per £100 nominal of Stock.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. This further issue of the Stock will rank for the first interest payment of £2.8932 per £100 nominal of Stock due on 7 June 1995.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

13. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 29 March 1995.

14. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 AM ON WEDNESDAY, 29 MARCH 1995; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 AM ON WEDNESDAY, 29 MARCH 1995; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON TUESDAY, 28 MARCH 1995. Bids will not be revocable between 10.00 am on Wednesday, 29 March 1995 and 10.00 am on Monday, 3 April 1995.

15. COMPETITIVE BIDS

(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

(ii) Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.38082 PER £100 NOMINAL OF STOCK must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Thursday, 30 March 1995.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST); competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

16. NON-COMPETITIVE BIDS

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications

are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £100 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of £1.38082 per £100 nominal of Stock. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

(v) If the non-competitive sale price, plus accrued interest, is less than £100 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price, plus accrued interest, is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

17. The Bank of England may sell less than the full amount of the Stock on offer at the auction. Cancellation of a sale of Stock will not affect the non-competitive sale price or any other sale of Stock.

18. The Stock will be, and all previous issues of the Stock have been, initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding 1/4% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of the Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

19. Allotment letters in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any allotment letter, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

20. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

21. Allotment letters may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 12 April 1995. Such requests must be signed and must be accompanied by the allotment letters. Allotment letters, accompanied by a completed registration form, may be lodged for registration forthwith and in any case must be lodged for registration not later than 18 April 1995; in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

22. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 30 March 1995 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 30 March 1995 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender an allotment letter to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of an allotment letter and be liable for the payment of any amount due in respect of such Stock.

23. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 3EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Mayne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

21 March 1995

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 21 March 1995 as follows:-

FOR COMPETITIVE BIDS ONLY

(to be filled in for Stock to be purchased at the price bid plus accrued interest)

Nominal amount of 8% Treasury Stock 2015 applied for:

Amount of Stock applied for Multiple

£500,000-£1,000,000 £100,000

£1,000,000 or greater £1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£ 32nds

Plus accrued interest at the rate of £1.38082 per £100 nominal of Stock:

£ 1 38.082

Total amount payable per £100 nominal of Stock:

£ p

Amount required for payment (a) IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST:

£

FOR NON-COMPETITIVE BIDS ONLY

(to be filled in for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)

Nominal amount of 8% Treasury Stock 2015 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock:

Sum enclosed (b), being £100 (c) for every £100 NOMINAL of Stock applied for:

£

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER.....Tel No.....

Name of contact.....

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that any allotment letter in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 30 March 1995, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S).....

Date..... of, or on behalf of, applicant

PLEASE USE BLOCK CAPITALS

MR/MRS FORENAME(S) IN FULL SURNAME

MISS/MS

FULL POSTAL ADDRESS

TOWN COUNTY POSTCODE

NATIONAL SAVINGS STOCK REGISTER: if you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick this box.

(a) A CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account Number 58560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Thursday, 30 March 1995, except in the case of members of the CGO Service who have completed Section C.

(b) A separate cheque must accompany each non-competitive application. Cheques should be made payable to "Bank of England" and crossed "New Issues" and must be drawn on a bank in, and be payable in, the United Kingdom, Channel Islands or the Isle of Man.

(c) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 29 MARCH 1995; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 29 MARCH 1995; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 28 MARCH 1995.

COMPANY NEWS: UK AND IRELAND

Bowater defies price rises to turn in £226m

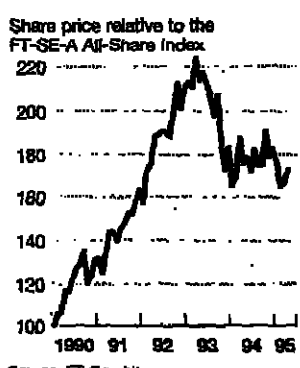
By Peggy Hollinger

Bowater, the printing and packaging group, beat off the effects of sharply increased raw material costs to lift pre-tax profits last year by 6 per cent to £226m (£371m).

Mr David Lyon, chief executive, said raw material prices for many products had increased by more than 50 per cent, and by as much as 100 per cent in some cases, during 1994. However, Bowater had managed to pass on the price rises to customers within four to six weeks, on average.

Seeking to calm the fears which have hit the company's share price recently, Mr Lyon said he was confident the group would be able to continue recovering cost increases at about the same rate in 1995. Indeed, it had begun to see evidence that the rises were

Bowater



Source: FT Graphite

beginning to flatten out. Mr Lyon admitted that such a statement was unusually optimistic for the normally cautious Bowater.

Group margins nudged up in 1995, in spite of the difficulties. Excluding the pension fund

surplus, which was included in operating profits for the first time, margins rose by 0.3 percentage points to 9.5 per cent.

The packaging and print businesses, which are most exposed to increased raw material costs, increased operating profits from £89m to £110m, on sales slightly higher at £1.17bn.

Coated products benefited from strong volume growth to increase profits by 22 per cent to £82m, on sales 24 per cent ahead at £564m. Building and engineering rose 25 per cent to £50m on sales 21 per cent higher at £439m.

Mr Lyon said Bowater expected the strongest growth to come from the coatings, healthcare and beauty products packaging businesses. The company also expected to make a series of bolt-on acquisitions in these businesses when possible.

Halifax Building Society bolsters its capital base

By John Gapper, Banking Editor

Halifax Building Society may issue a large tranche of subordinated debt to bolster its capital base in the flotation, which is due to follow its merger with Leeds Permanent. Halifax has informally consulted the Bank of England over whether it could issue subordinated debt rather than raising fresh equity on flotation. Abbey National, the former society, raised £975m of new equity when it converted in 1989.

Halifax is likely to have to raise extra capital, although it has a very strong ratio of equity capital to assets. This is because it may have to set aside up to half of its reserves to protect savers' funds as part of a flotation.

The need to set aside capital meant that Abbey National had to sell shares to members on conversion in addition to issuing new shares. Halifax and Leeds plan to issue free shares to members is currently being tested in court.

Mr Jon Foulds, Halifax chairman, said at the society's presentation of results for 1994, it had not yet decided how to adjust its capital base on conversion, expected in about two

years. Mr Foulds said that Halifax's general reserves of £4.3bn, and tier 1 ratio of core capital to risk-weighted assets of 13.2 per cent, meant it was in a strong position to convert without subsequently having to raise equity.

Halifax disclosed a 13 per cent rise in 1994 pre-tax profits from £266m to £305m. Income was flat at £1.85bn (£1.85bn), and profits before provisions fell by 2 per cent from £1.14bn to £1.11bn.

The results were raised by a 49 per cent fall in provisions for bad and doubtful debts from £271m to £137m. The latter figure includes a £49m provision for funds transferred to its own mortgage indemnity insurance subsidiary.

Mr Foulds said Halifax expected that 1995 was going to be "another flat year in the housing market". He said that it was looking forward to a recovery in housing demand in 1996 and "perhaps even more strongly in 1997".

The society had net lending of £3.8bn, or 19 per cent of the UK mortgage lending market, while retail savings balances rose by £2.2bn, mainly because of capitalised interest.

Total assets rose by 7.5 per cent from £87.2bn to £92.2bn.

LEX COMMENT
Prudential backtracks

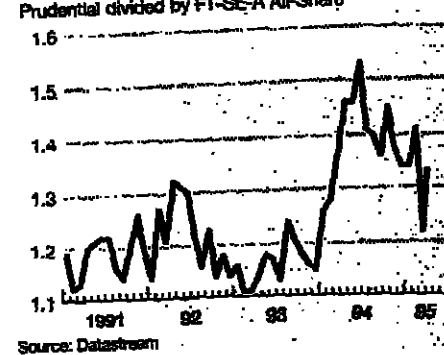
The significance of the Prudential's new provision for pensions mis-selling lies not so much in its as yet undisclosed size but in the fact that it has been made at all. The Pru is backtracking, ever so gently, from the confrontational approach to regulatory issues followed by Mr Mick Newmarch, the group's former chief executive.

The mere acknowledgment that some compensation will have to be made signals the Pru's desire to return to the establishment fold. Further evidence of this is the relatively ungenerous pay package awarded to Mr Peter Davis, the new chief executive, and the planned move from three-year rolling contracts to 18-month contracts for the rest of the board.

The Pru will find it easier to take the lead on issues such as regulation and executive pay if its own conduct in these areas is exemplary and uncontroversial. Shareholders also stand to benefit as the management refocuses its energies on running the business.

Not that Mr Newmarch neglected shareholders' interests: under his management the company enhanced its position as the strongest of the UK's life companies. This is partly due to

Prudential

Dividend yield ratio
Prudential divided by FT-SE All-Share

Source: Datastream

restructuring in the UK, but diversification in the US and Asia has also helped ensure that the Pru is the UK life company most able to sustain high dividend payments in the future. Davis's task will be to make further efficiency gains in the maturing UK market, while developing growth opportunities abroad, perhaps in continental Europe as well as Asia and the US.

Avonmore Foods falls to £21.7m

Avonmore Foods, the Irish foods group, reported a 25 per cent fall in 1994 pre-tax profits, from £29.2m to £21.7m (£36m), following losses from the closure of its German meat operations.

Turnover increased to a record £1.2bn (£1.13bn), with 76 per cent of sales generated from outside Ireland.

The dairy division, which accounts for 55 per cent of turnover, was affected by a margins squeeze.

Turnover in the red meat division, beef and lamb, remained flat as the company experienced difficult market conditions. It took charges of £25.4m on the closure of the Harzland meat processing operation in Germany, the largest meat market in Europe. The German operation also incurred an £12m loss for the period.

Waterford Wedgwood returns to dividends

Waterford Wedgwood, the Irish luxury goods group, is to pay a dividend for the first time in six years, in a further sign of the company's return to health after the losses of the early 1990s. Pre-tax profits more than doubled last year, from £10.1m to £22.6m (£37m).

In 1992 the group lost £17m. The board has proposed a dividend of 0.8p a share, the first since the interim declared in 1988.

Group sales rose 7 per cent to £235m (£219m), the highest level since 1989.

Operating profits were up 70 per cent to £28.2m, the highest since Waterford Crystal acquired the British ceramics company in 1988.

The company is six years into a recovery programme started when Mr Tony O'Reilly, the chairman, led a rescue in April 1990.

The crystal division, the source of the losses in the

early 1990s, reported a 68 per cent increase in operating profits to £13.5m (£7.8m), helped by the docking of a record 22 international cruise liners at Waterford during the year. Sales rose from £102.5m to £108.8m.

In the Wedgwood china division, which includes the Waterford crystal distribution business, operating profit increased 75 per cent to £15.3m (£8.7m). Sales were static at £138.2m.

Waterford Wedgwood derives about 37 per cent of sales from the US, with the crystal division dependent for 75 per cent of sales on the US. The company said that it expected to offset weakness in the dollar, which results in lower profits, by hedging its currency needs. Demand remained strong in the US for items such as Wedgwood's gift products.

Earnings per share more than doubled to 2.9p (£2.7p).

BSG advances by 43% and sees further growth

BSG International, the West Midlands group with interests in motor and aviation components, childcare products and vehicle distribution, yesterday announced sharply increased pre-tax profits and indicated further growth this year, writes Paul Chessright.

Profits for 1994 jumped 43 per cent to £15.1m (£10.5m). Recovery gathered pace in the second half of the year when operating profits reached £12.1m, compared with £2.2m in the 1993 second half.

Trading in the first two months of the current year was "well ahead" of last year.

Britax's automotive business increased sales, helped by new contributions from US manufacturing of mirrors, and pushed margins from 2.1 per cent to 4.1 per cent.

Losses on the division's aircraft components business, affected by production cutbacks of Boeing, the US aircraft maker, have been reduced and profitability is expected to return this year.

Nigeria costs limit Paterson Zochonis

By Peggy Hollinger

Paterson Zochonis, the toiletries and detergents company, yesterday warned that sharply higher import costs in its Nigerian businesses would hold back profits this year.

The shares fell 15p to 40p as the former plantations company and manufacturer of Cussons Imperial Leather soap issued the warning and unveiled first half profits down by 18 per cent to £11.2m (£13.6m).

Mr Alan Whittaker, finance director, said the Nigerian government's decision to restrict commercial purchases of foreign currency to the secondary market meant that the company was paying four times last year's rate for dollars.

In 1993 the group had suffered from the government's decision to transmit all purchases of foreign currencies through the central bank, which had limited supplies. He defended the company's

determination to remain in the highly volatile economic environment of Nigeria. The company produces more soap and detergent there than it does in the UK. "It is a very important market for us and it is profitable," he said. "We believe it is worth hanging on because we believe that Nigeria's problems can be managed."

The other businesses had performed satisfactorily, Mr Whittaker said. Cussons UK had regained the market share lost when Lever Brothers launched its Dove brand. The soap business in Poland was increasing market share, as was the edible oils business in Greece.

The company planned to invest £35m in new factories in Poland and Greece to meet additional demand.

Mr Whittaker said the company, which is sitting on net cash of £108m, would be looking to expand in eastern Europe and the Pacific region through acquisitions.

Menzies pays £25m for 37% of Funsoft

John Menzies, the newspaper wholesaler and retailer, is expanding in the CD-Rom software market with the acquisition of a 37 per cent stake in German-based Funsoft for up to £24.9m (£40m) cash, writes David Wighton.

It will have an option to buy a further 14 per cent of Funsoft, Germany's leading distributor and publisher of CD-Rom and other multimedia software.

Menzies already has some involvement in the UK CD-Rom market through its Total Home Entertainment division, which distributes videos, audio, books and computer software.

In the year to December 1993 Funsoft made a pre-tax profit of DM7.6m and has since shown "significant" growth. Menzies said the deal would enhance its earnings.

Peek rises 32%

Peek, the traffic and field data systems group, showed the benefits of investment in new products by reporting a 32 per cent rise in profits for 1994, writes Geoff Dyer.

The group, which acquired the traffic operations of GBC Marconi for £4m in February, improved the pre-tax line by 33 per cent to £10.2m (£17m) on turnover 31 per cent higher at £131.8m.

Profits from the field data division, which makes measurement products and computers, more than doubled to £4.4m on sales of £42.1m.

Mr Allen Standley, chief executive, said that 85 per cent of expected sales of measurement products this year were for items that had not been invented in 1993.

The traffic division, which accounts for 68 per cent of turnover, recorded flat profits of £7.1m despite higher sales of £89.7m.

Net cash was £2.9m. Mr Standley said the priority for acquisitions would be producers of measurement instruments, particularly in the US.

Monument Oil sale

Monument Oil & Gas is selling its wholly owned Australian subsidiary to the newly formed Novus Petroleum for \$41.5m. The sale includes Monument's 12.5 per cent stake in the Harriet oil field in Australia. It also includes part of the group's shares in fields in Laos, Malaysia and Thailand.

The sale is conditional on the successful flotation of Novus on the Australian stock exchange.

Hunterprint buy

Hunterprint, the printer rescued by Quebecor Printing of Canada in December, is paying Associated Newspapers a total of £24m for a newly equipped printing plant where it will produce supplements and magazines for Associated under a five year contract. Hunterprint sold the factory, which is close to its main plant in Corby, Northamptonshire, to Associated last year.

GREEK EXPORTS S.A.

(Special Liquidator of ALPHA S.A. by virtue of Decisions No. 783/1992 and 714/1995 of the Athens Court of Appeal).

ANNOUNCEMENT

THIRD PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Panepistimiou Street and legally represented, in its capacity as special liquidator of ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. in accordance with Decisions No. 783/1992 and 714/1995 of the Athens Court of Appeal

ANNOUNCES

A third public auction for the highest bidder with sealed bidding offers for the purchase of elements of the assets of ALPHA S.A. (established in Athens at 72-74 Salaminou Street, Kallithea, within the framework of article 406 of Law 1892/90 complemented with article 14 of Law 2009/1991) and amended and supplemented by article 57 of Law 2224/1994.

BRIEF DESCRIPTION AND ACTIVITY OF THE COMPANY

ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. was founded in Athens in 1977 with head office in Kallithea (72-74 Salaminou Street) in a self-owned multi-story building of 2,775 sq.m. in area divided into three (3) basements, a ground floor and four floors built on a plot of land 1,003 sq.m. in area. The company has two basic sectors of activity: (i) the manufacture of electronic tubes for military use and (ii) the production and development of computer software. After many years of research and development the company acquired and consolidated the technical know-how for manufacturing mainly two types of tubes, i.e. the electronic time base (ATP-1B1) and the electronic tube and percussion base (ATP-1P1). The company has also developed various software programmes for use in industry such as MLLS, software programmes for hospitals, etc. It has also participated in research and computer data programmes of the E.C. and has developed a digital telephone exchange (PABX).

First entity: The company's building of 2,775 sq.m. consisting of a first basement of 373 sq.m., a second basement of 413 sq.m., a third basement of 293 sq.m., a first floor of 382 sq.m., a second floor of 382 sq.m., a third floor of 382 sq.m. and a fourth floor two-thirds of which is covered, of 207 sq.m.

Second entity: Fuses know-how and their programming as well as sundry machinery, apparatuses, parts and models related to them. (The know-how can be sold only with the approval of the Ministry of Defence).

Third entity: ALPHA S.A.'s mechanical and other equipment for its other activities besides fuses (e.g. computer data, telephone exchanges, etc.).

Fourth entity: Claims, balance of remaining stocks (except fuses, transport means, analytical information on the elements of the company's assets contained in each entity is contained in the annex of the confidential offering memorandum to which you can refer).

TERMS OF THE AUCTION

1) In order to take part in the auction, interested parties must receive from the Liquidator the Confidential Offering Memorandum and the third letter of guarantee in order to submit to the Athens court public bids. Files must be submitted to the Liquidator at 114-116 Panepistimiou Street, 6th floor, tel. +30-1-38214143 and fax: +30-1-38214143 up to 1400 hrs on Tuesday 11 April 1995.

2) Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the time limit and offers not accompanied by a letter of guarantee shall not be accepted or taken into consideration.

3) Offers will be opened before the above-mentioned auction public at 1200 hrs. on Wednesday 12th April 1995 in the presence of the Liquidator. Bidders who have submitted valid offers can also attend.

4) Each interested investor can submit either one offer for the total elements of the assets of the company or separate offers for the purchase of one, two, three or all four of the entities that make up the company's assets. Offers must state clearly if they refer to the elements of the total assets or to each of the entities, the price offered and the method of payment (in cash or on credit, the number of instalments, when they are to be paid and etc.). Offers must contain terms upon which the liquidator may depend or which may create vagueness with regard to the height or amount of payment of the offered price or with regard to other matters essential to the sale. The Liquidator and the creditor reserve the right, at their absolute discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than other offers.

5) On penalty of invalidity, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, of indefinite duration, for the sum of Dr.50,000,000 (Fifty million drachmas) for bids concerning the total assets of the company. If the offer refers to separate entities, then the amount of the letter of guarantee should be as follows: a) Dr.40,000,000 (Forty million drachmas) for the first entity, i.e. the company's building at 72-74 Salaminou Street, Kallithea; b) Dr.3,000,000 (Three million drachmas) for fuses know-how; Dr.5,000,000 (Five million drachmas) for mechanical and other equipment and d) Dr.2,000,000 (Two million drachmas) for claims, stocks, in hand, other equipment and means of transport.

6) Forfeiture of the letter of guarantee: In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.

7) Return of letters of guarantee: Letters of guarantee accompanying the offers of other bidders shall be returned to them immediately after the adjudication of the assets to the highest bidder, except for the guarantee of the highest bidder which will be returned to him immediately after the signature of the final contract.

8) The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the Majority Creditors as being the most satisfactory.

9) The Company's assets and all the separate fixed and circulating assets that make them up, such as immovables, movables, claims, rights, etc. whether they are to be sold as a whole or as separate entities, shall be transferred "as is and where is" and more specifically, in its actual and legal condition and wherever they are on the date of signature of the final contract, regardless of whether the Company is operating or not.

10) The Liquidator, the Company under liquidation and its creditors who represent 51% of its total obligations, are not liable for any legal or actual faults or any incomplete or inaccurate description of the assets for sale in the Offering Memorandum.

11) Interested buyers must, on their own responsibility and due care, and by their own means and at their own expense, inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale.

12) The Liquidator company and the Creditors bear no responsibility or obligation towards participants in the auction, both with regard to the evaluation of the bids, the selection of the highest bidder, the decision, if any, to cancel or repeat the auction and any other decision in general regarding the procedure and execution of the auction. The submission of a binding offer does not imply any right in the adjudication of the sale and, in general, participants do not acquire any right, claim or demand from the present announcement and from participation in the auction, against the liquidating company or the creditors for any cause or reason.

13) All costs and expenses of every nature for participation in the auction and for the transfer of ownership, as well as all taxes, duties, stamp fees and third party fees that may be imposed (beyond the exceptions foreseen by law) relating to participation in the auction and to the sale process, anything following the sale, transcriptions and any other acts, are borne exclusively and alone by the interested buyers and the highest bidder respectively.

14) Participation in the auction implies acceptance by the prospective buyer of all the above terms of the present announcement.

15) The present announcement has been drafted in Greek and in English in translation. In any event, the Greek text shall prevail.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to:

a) GREEK EXPORTS S.A. 17 Panepistimiou Street (1st floor), Athens, Greece, Tel. +30-1-3243111 - 115 Fax: +30-1-3233185
b) ETRA S.A. Directorate of Buildings, 87 Syngrou Ave., 4th floor, Athens, Greece, Tel. +30-1-9254611, 9254613.

Warehouse clubs experiment ends

By David Blackwell

Nurdin & Peacock, the cash and carry operator which helped pioneer US-style warehouse clubs in the UK, is quitting the business after just one year. Its three Cargo Club warehouses, the first of which opened last March in Croydon, have been sold for £45m cash to J Sainsbury, Britain's largest grocery chain.

Sainsbury plans to sell the Croydon site,

set up a superstore on the Bristol site, and turn West Midlands site into a Savacentre. Mr Chris Leaver, Sainsbury's director of corporate communications, said it had bought the three for their locations, and would be spending £20m on the two new stores.

Analysis said it was doubtful whether warehouse clubs, which sell goods at low prices to card-carrying members were workable in the UK.

The sale leaves just one significant UK operator, Costco Europe, which is 60 per cent owned by PriceCostco, the largest US warehouse group.

Changes to UK planning laws, making it more difficult to develop green field sites, had also raised the capital cost of expanding the chain.

Nurdin was paid £35m with a further £10m on vacant possession of the sites, which are on the books at £31m.

£70.6m German purchase for Vinten

By Christopher Price

Vinten, the international manufacturer and supplier of broadcast, photographic and surveillance products, yesterday strengthened its grip on the broadcast equipment market, paying £70.6m for the German manufacturer Sachtler, its biggest competitor.

The group also reported a fourfold rise in 1994 pre-tax profits from £4.1m to £16.1m, although the previous year's figure was depressed by a £10.4m exceptional charge.

The purchase of Sachtler comes just one week after Vinten paid £13.7m (£8.5m) for BERC, which operates in the

US professional video rental business and was also one of Vinten's main competitors.

Vinten is to raise £23m via a placing of 6.9m shares at 490p each with an open offer to existing shareholders on a 1-for-6 basis. The balance of the Sachtler and BERC deals will be paid for in cash. Vinten shares closed up 7p at 513p.

Mr Malcolm Baggott, chief executive, said the latest results were underpinned by strong recovery across the group's markets.

Net debt of £11.4m at the end of 1993 was transformed to a cash balance of £8.5m last December. However, the flurry of recent deals has pushed the

group £39m into debt.

The photographic division, which includes first full-year contributions from Bogen and Alu, saw sales rise 19 per cent to £44.4m, while operating profits increased 40 per cent to £11.9m. Broadcast profits advanced 44 per cent to £6.5m on sales 7 per cent ahead at £36.6m.

Surveillance equipment sales slipped 10 per cent to £18.1m, with profits retreating 20 per cent to £2.3m.

Sachtler, which specialises in video and film camera supports lighting and suspension equipment, made pre-tax profits of DM12.5m (£5.5m) on sales of DM48.9m in 1994.



Malcolm Baggott: recovery across all group's markets

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Applied	Yr to Dec 31	560.5 (368.9)	8.11 (5.12)	8.4 (5.8)	2.9	May 11	2.9	5.8	5.5
Applied Dist	Yr to Dec 31	33.5 (28.4)	4.01 (2.23)	9.7 (7.9)	2.7	May 22	4	3.75	3.55
Revenue Funds &	Yr to Dec 31	1.91 (1.08)	21.74 (28.2)	16.8 (14.5)	2.1	May 24	2	4.4	4.2
Available	Yr to Dec 31	85.5 (66.3)	5.5 (5.5)	8.8 (5.4)	2.3	May 30	2.3	4.4	4.2
Blagden Intels	Yr to Dec 31	224.3 (224.3)	5.6 (4.1)	11.5 (5.1)	11.5	May 31	11.5	11.5	11.5
Bowater	Yr to Dec 31	2,342 (2,112)	22.6 (21.2)	30.7 (28.2)	8	June 1	7.25	13.8	12.55
BSG Int	Yr to Dec 31	714.5 (572.9)	15.1 (10.8)	24.8 (24.3)	2.5	June 2	2.5	3.2	3.2
Camorant	Yr to Dec 31	158 (114.4)	15 (11.5)	20.7 (19.1)	5	July 3	4.5	9	8.1
Clifton Cards	Yr to Jan 29	94.3 (75.9)	2.6 (2.02)	10.22 (11.1)	3.11	May 30	3.11	4.71	4.71
Clyde Petroleum	Yr to Dec 31	116.6 (81.6)	13.6 (8.8)	3 (2.1)	0.65	May 12	0.65	1.1	1.1
Daniels (S)	Yr to Dec 31	38.3 (38.7)	0.34 (0.08)	4 (0.6)	0.1	May 25	0.1	0.3	0.1
Derwent Valley	Yr to Dec 31	12.1 (8.24)	0.29 (0.54)	12.51 (8.44)	3.42	May 28	2.9	5	3.3
Dorling Kindersley	6 mths to Dec 31	60.8 (44.8)	5.27 (3.51)	5.1 (3.7)	1.3	May 28	1.1	4.3	4.3
EW Fac	Yr to Dec 31	8.85 (4.98)	2.01 (1.35)	7.31 (13.19)	2.89	May 19	2.89	4.92	4.74
File Transfer	Yr to Dec 31	33.6 (30.2)	1.02 (0.803)	6.18 (7.13)	2.25	May 10	2	3	2.75
First Earth	Yr to Dec 31	5.74 (4.77)	0.16 (0.424)	1 (1)	0.1	May 10	0.1	1	1
Fisher (James)	Yr to Dec 31	32.2 (28.5)	2.26 (2.534)	6.14 (5.76)	1	May 12	0.1	0.1	0.1
Haldis	Yr to Dec 31	22.9 (0.477)	2.72 (1.1)	5.24 (16.4)	1	May 12	0.1	0.1	0.1
Hartons	Yr to Dec 31	50 (61.9)	0.98 (4.13)	0.88 (5.37)	0.1	May 12	0.1	0.1	0.1
Hydro Int	Yr to Dec 31	5.34 (4.98)	0.43 (0.158)	3.873 (3.953)	0.2	May 12	0.2	0.2	0.2
UP	6 mths to Dec 31	4.02 (3.51)	0.754 (0.712)	0.82 (0.8)	0.2	May 1	0.2	0.2	0.2
Insurance Tech S	14 mths to Dec 31	0.033	1.74	10.23	1	May 1	0.1	0.1	0.1
Johnson Clements	53 weeks to Dec 31	168.5 (165.2)	18.16 (18.16)	8.8 (8.1)	8	Apr 28	8	10.8	10.8
Johnson Clements	6 mths to Dec 31	37.9 (33.5)	3.61 (3.03)	8.8 (8.1)	2.45	Apr 28	2.45	3.5	3.5
Nottingham Exp	Yr to Dec 31	45.3 (47.2)	7.04 (7.3)	1.15 (2.54)	3.36	May 26	-	5.52	-
Peterson Zocholls	6 mths to Nov 30	139 (126)	11.2 (13.5)	14.76 (17.69)	2.65	May 5	2.45	-	13.85
Peak	Yr to Dec 31	131.8 (100.6)	10.2 (7.7)	5.8 (4.8)	2.35	May 31	1.05	3.4	3.4
Profradial	Yr to Dec 31	6.3 (6.3)	680 (680)	9.1 (9.1)	2.5	May 31	2	14.4	13.2
Profradial	6 mths to Dec 31	41.7 (36.1)	8.05 (6.17)	4.3 (3.7)	2.1	May 6	2	14.4	13.2
Securo Trust	Yr to Dec 31	-	7.51 (7.51)	40.8 (36.8)	11.5	May 22	10.5	16.5	15
Singapore Para	Yr to Dec 31	0.866 (0.74)	0.466 (0.466)	5.96 (2.99)	3.05	Apr 27	1.9	3.05	1.9
UK Estates	6 mths to Dec 31	5.64 (1.27)	0.53 (0.26)	0.99 (1.78)	0.1	May 5	0.6	1.2	1.2
Yr to Dec 31	1.325 (1.178)	44 (37.5)	4.02 (17.3)	4.71	4.7	4.7	7.2	6.5	
Yr to Dec 31	97 (93.4)	27 (27.4)	0.99 (0.99)	4.7	4.7	4.7	7.2	6.5	
Waterford Woodgrange &	Yr to Dec 31	325 (319.2)	26.6 (10.1)	2.9 (1.27)	0.8	June 1	2.06	4.54	4.13
Wilson (Connolly)	Yr to Dec 31	916 (274.5)	38.2 (38.2)	13.5 (10.2)	3.18	Apr 29	3	4.25	3
Wood (Arthur)	Yr to Dec 31	4.06 (3.58)	0.26 (0.12)	10.24 (4.8)	4.25	May 19	1.5	-	-
Worle of Leather	Yr to Dec 31	26.7 (27.2)	0.54 (0.12)	4.7 (2.2)	0.75	May 19	1.5	-	-
Investment Trusts		NAV (p)	Attributable earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
STI Global Growth +	Yr to Dec 31	45.57 (33.89)	11.85 (5.4)	0.99 (0.78)	0.1	Apr 31	0.6	1.2	1.2
Profit Income	Yr to Jan 31	82.61	0.4762	0.937	0.1	May 28	0.75	1.2	-
Silver & Merc Amer	Yr to Feb 28	43.01 (49.53)	0.598 (0.562)	7.57 (7.49)	2.4	May 17	2.2	7.9	7.8

Dividends shown net. Figures in brackets are for corresponding period. £den currency. \$den American dollar. Water exceptional credit: 10% increased capital. \$USM stock. 20% comparative for 9 months. £denbase 2.4p paid as foreign income dividend. \$denbase = US Dollars. 1\$ den = 100p. 1\$ den =

COMMODITIES AND AGRICULTURE

Japan's coking coal price round coming to a head Papua New Guinea to float resource group shares

By Gerard McCloskey

Difficult and protracted negotiations to set coking coal prices and volumes for the Japanese market are coming to a head this week with the arrival in Tokyo of the main Canadian and Australian suppliers.

Pricing talks have now stretched over more than three months with no settlements put in place with the all-important Australian suppliers who dominate the Japanese, indeed the whole Asian, market.

Some tentative prices have been agreed with Canadian suppliers (rises of \$2.85 and \$3.85 to \$48.30 and \$49.30 a tonne, for Western Canadian ports) but these are conditional on the Australian producers accepting the Canadian prices as benchmarks.

The Australian producers, however, in a unique and powerful alliance with the Australian mining unions are striving to recover from last year's

heavy price cuts.

The dam broke last week when one of the US suppliers, Peabody, eventually agreed a settlement with a number of the Japanese mills. As is the custom in the Japanese market, it was a big tonnage increase. Its price increase appears at first sight to be \$4.98, but allowing for an easing of quality restrictions, which lifts sulphur and ash content, it looks more like \$5.48.

Such a rise may tempt the Australians, who are seeking an increase of more than \$5. But Nippon Steel, leading Japanese negotiator for the Australian supplies, wants to restrict rises to the \$3.85 by which prices fell last year. For the Australians and Canadians the new Peabody price, at \$49.30 a tonne, represents precisely that.

A more complex play linking the Peabody price to that at which the US's Pittston sup-

plied last year, may mean that the Japanese will claim the rise is around \$4. But the ocean freight charges from the US are much lower than those from Australia and the coal qualities are radically different. The Australian costs have much lower sulphur levels.

The Nippon Steel negotiators are becoming aware that they are seeking to set a market against a background of extreme shortages of coking coal.

The two big Indian importers, the Steel Authority of India and Visakhapatnam, who have traditionally tendered for their coal supplies rather than buying by contract, have suddenly found that tendering on a tight market is very different from the over-supplied market of the last few years. Instead of being offered coal at a discount to the Japanese price, both have been asked more than \$10 in the last two tenders.

By Niklaid Tait in Sydney

The Papua New Guinea government is planning to float shares in the country's Mineral Resources Development Company, which holds around US\$1.5bn-worth of government interests in PNG resource projects, on a public stock exchange before the end of 1995.

It is also lifting the royalty rate on resource projects from 1.25 per cent to 2 per cent, and insisting that future mining and petroleum developments set aside a minimum equity interest to be given free to local landowners - announcements which brought immediate criticism from Australian mining companies with interests in the country.

Sir Julius Chan, PNG's prime minister, announced the MRDC decision on Monday in Sydney, where he was opening a two-day conference on mining and resource development. He said that it would "nice" if

the float could take place on a PNG stock exchange, but made no commitment to having a local exchange up and running in time. The float, he suggested, would probably take place "towards the end of the year".

Sir Julius said that funds raised in the float would be used to "assist in minimising remaining debts in OK Tedi, Misima and Kutubu" and provide future working capital. OK Tedi is the large copper mine managed by Australia's BHP in the Highlands region, while Misima is a gold mine on Misima Island, east of mainland PNG, managed by Placer Pacific of the US. Kutubu, an onshore oil project run by France's Chevron, started operations in 1992. Government officials yesterday put the value of MRDC's assets - which also include a stake in large Porgera gold mine - at about US\$1.5bn.

Sir Julius said that, "from this point on, MRDC will be

only vehicle for holding future state equity involvement in projects". He did not specify which exchanges outside PNG might be used if a local stock market had not been established in time, but the Australian Stock Exchange would be an obvious possibility.

Suggestions that the PNG government would seek to raise funds from the sale of its resource interests surfaced late last year, when the country faced a cash crunch. At that stage, the idea of selling shares in individual projects was mooted, but Sir Julius made clear on Monday that that had now been ruled out. Although he did not specify reasons, such a move could have created more problems with private sector joint venture partners than the float of a minority interest, say, in a holding company like MRDC.

Separately, Sir Julius announced some key changes to the country's mining investment regime. He said that roy-

alties were to be increased from 1.25 per cent, to 2 per cent, although additional royalties payment due in a particular tax year would be "considered as tax paid for that financial year". Conversely, the tax rate for mining leases in small and medium-sized projects will be cut from 35 to 25 per cent. A tax credit scheme and support grants will also be extended to small and medium-sized mining companies.

And the prime minister said the future projects would be required to make a "free" share available to local landowners. "In mining developments... a 5 per cent share of the government's 20 per cent will be given free to the landowners, and paid for by every owner, that is the consortium of developers, while on Petroleum Development Licence projects, the figure shall be 2 per cent".

Within hours of his announcement, Mr Lawrie Reinertson, Placer Pacific's managing director, expressed

misgivings about the changes. Mr Reinertson told the conference that "the increase to 2 per cent (in the royalty rate)... is regarded as excessive and invidious", and said he was concerned about the introduction of no-cost equity for landowners.

However, Mr Geoff Loudon, chairman of Nugini Mining, one of the partners in the large Lihir gold project, said he believed the impact on that project would be small. He added that, since in that particular case the royalties would flow to Lihirians or the provincial government, "I'm pleased about it".

PNG officials yesterday released a draft policy paper on a new natural gas development regime. Among the recommendations, which are open for industry comment, is a tax rate for the down stream gas sector of 25 per cent, rather than 50 per cent, although tax will remain at the higher level for the upstream sector.

Quebec smelter plan 'only shelved'

By Kenneth Gooding, Mining Correspondent

Partners in the Alouette aluminium smelter in Quebec have not given up hope of doubling its capacity from the present 215,000 tonnes a year even though they have decided not to proceed immediately with the C\$1bn project.

Hydro Quebec gave the partners until March 31 to make up their minds. The utility supplies power to Alouette under a 25-year, low-cost, risk and profit-sharing contract. This also would have covered the expansion.

Originally the five partners had decided by the end of 1994 whether they would increase capacity but Hydro granted an three-month extension as long as the consortium put up a C\$5m bond with the Quebec government. The government will now keep this.

The partners in Alouette are

VAW Aluminium of Germany, also is the operator; Hoogovens of the Netherlands; Austria Metall; a joint venture between Kobe Steel and Marubeni of Japan; and SGF (Société Générale de Financement), the Quebec-based industrial agency.

The smelter, about 850km north-east of Montreal on the north shore of the mouth of the St Lawrence river, was brought into production in 1992 at a cost of nearly C\$1.4bn. It is one of the lowest-cost and least-polluting in the world.

It is understood that the Japanese joint venture and SGF -

were in favour of increasing capacity immediately. The others felt there were too many outstanding issues to be settled, such as financing and future municipal taxes.

Nevertheless, "all the owners want to expand the smelter at some stage because it will reduce the cost per tonne," said Mr Karl Wobbe, the VAW board member responsible for aluminium operations. "It is not gone for ever but it is difficult to say when the expansion will go ahead." He said VAW itself would not need more metal supplies for three or four years. It would take two and a half years to bring the new capacity into operation.

VAW's management contract lasts until 1997. Alouette was among several projects that cost a total of nearly C\$4bn and boosted Canada's primary aluminium capacity 1991 and 1992 by 47 per cent to about 2m tonnes.

By Niklaid Tait

The Papua New Guinea government yesterday gave further indications that it may not take up the additional 15 per cent of the equity in the large Porgera gold mine that it negotiated to buy two years ago. The deal was struck with the three private sector joint venture partners in the project - Placer Pacific, Highlands

Gold, and Renison Gold Fields. Mr Chris Haiveta, PNG's finance minister, said in Sydney yesterday that the government - known to be cash-strapped - lacked the resources to fund the purchase. "We still don't have the money to pay for it now, and I have not budgeted for it," he said. Earlier Mr John Gribble, the country's mining and petroleum minister, gave similar

message to delegates at a PNG investment conference in Sydney.

He said the previous PNG government's decision to lift its stake in Porgera from 10 per cent to 25 per cent would be reviewed later this year and a final decision made in 1995.

The lifting of the Porgera stake has been highly contentious, and a major reason for the poor reputation PNG has

among mining industry investors, despite its considerable mineral wealth. The previous government, under prime minister Pias Wingti, claimed that the private sector partners had misled it over the richness of the mine, and accordingly claimed a larger stake. Eventually, it was agreed that the government would buy an additional 5 per cent from each of the partners, for around

K140m (US\$118).

However, the deal was not completed, and late last year, Sir Julius Chan, the new prime minister, indicated that it might never be.

Yesterday, Mr Haiveta promised a more consistent policy. "We most certainly don't believe in shifting the goalposts half way through the game, as occurred with the Porgera equity," he said.

Ghana fails in attempt to join Europe's banana bunch

By James Harding

Ghana's attempt to become a banana exporter has become the latest victim of Europe's fiercely contested banana regime.

Although Ghana is one of the African, Caribbean and Pacific countries with whom the EU has a preferential access agreement, as a new entrant to the banana trade it has been forced to negotiate a special quota for its produce.

Officials in Brussels yesterday indicated that Ghana had not secured, for this year at least, the quota for 10,000 tonnes imports into the EU, forcing it to "sell elsewhere" and wait another year.

The EU banana import policy has been condemned by a disputes panel of the General Agreement on Tariffs and Trade and is the focus of a trade practices investigation by the US.

Officials from Ghana negoti-

ating with the European Commission believe the obstacle to a quota agreement lies with French interests keen to protect the banana exporters of francophone Africa.

The French have big markets for bananas from francophone countries, such as the Ivory Coast, Cameroon and Benin. Banana exporters there are not African companies but French companies, so if you want to disturb the market share you have to expect a bit

of a struggle," one official at the Ghana trade commission in London said yesterday.

European officials say the agreement with the ACP countries to supply 50,000 tonnes of bananas agreed at the beginning of the month sets out quotas by countries and leaves 5,000 tonnes capacity for new suppliers from the region. "Ghana will have to fight for a share of that 5,000," a Brussels official said yesterday. The banana problem came as

a surprise to the government of Ghana, the world's third largest cocoa producer, when a company that had traditionally been selling to the domestic market decided to turn its hand to exports.

Volta River Estates is the sole producer of exportable bananas from Ghana, but Ghanaian officials believe the company would easily fulfil a 10,000 tonne quota and would hope to expand on that volume once established in Europe.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp/London Metal-Trade)

ALUMINIUM, 99.7% Purity (per tonne)

	Cash	3 mths
Close	1744-6	1758-5
Previous	1719-20	1750-1
High/Low	1752/1749	1758/1770
AM Official	1750-1	1775-0
Kerb close		1775-0
Open int.	209,800	
Total daily turnover	38,750	

ALUMINIUM ALLOY (per tonne)

	Cash	3 mths
Close	1760-70	1760-70
Previous	1757-62	1760-70
High/Low	1760-70	1757-62
AM Official	1760-70	1757-62
Kerb close		1757-62
Open int.	2,812	
Total daily turnover	961	

LEAD (per tonne)

	Cash	3 mths
Close	590-1	595-5.5
Previous	574-5	581-5.5
High/Low	590-1	581-5.5
AM Official	590-1	581-5.5
Kerb close		581-5.5
Open int.	37,585	
Total daily turnover	5,804	

NICKEL (per tonne)

	Cash	3 mths
Close	7280-320	7420-50
Previous	7145-50	7280-5
High/Low	7280-320	7420-50
AM Official	7280-320	7420-50
Kerb close		7420-50
Open int.	53,148	
Total daily turnover	12,383	

TIN (per tonne)

	Cash	3 mths
Close	5520-40	5580-600
Previous	5490-600	5580-600
High/Low	5520-40	5580-600
AM Official	5520-40	5580-600
Kerb close		5580-600
Open int.	20,312	
Total daily turnover	4,288	

ZINC, special high grade (per tonne)

	Cash	3 mths
Close	1016-7	1043-4
Previous	1006-7	1039-4
High/Low	1016-7	1039-4
AM Official	1016-7	1039-4
Kerb close		1039-4
Open int.	97,517	
Total daily turnover	16,241	

COPPER, grade A.S. (per tonne)

	Cash	3 mths
Close	2923-4	2982-3
Previous	2886-500	2982-3
High/Low	2923-4	2982-3
AM Official	2923-4	2982-3
Kerb close		2982-3
Open int.	227,557	
Total daily turnover	32,513	

LME AM Official C/S rate 1.8825

LME Closing C/S rate 1.8858

Spot 5745 3 mths 5732 6 mths 5689 9 mths 1.5651

HIGH GRADE COPPER (COMEX)

	Cash	3 mths
Close	138-10	140-10
Previous	137-10	139-10
High/Low	138-10	140-10
AM Official	138-10	140-10
Kerb close		140-10
Open int.	130-20	
Total daily turnover	119	

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N.M. Rothschild)

Gold (per ounce)

	Cash	3 mths
Close	382.40-382.80	444.313
Previous	382.50	441.276
High/Low	382.40-382.80	444.313
AM Official	382.40-382.80	444.313
Kerb close		444.313
Open int.	382.50	
Total daily turnover	382.50	

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PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N.M. Rothschild)

Gold (per ounce)

INTERNATIONAL CAPITAL MARKETS

Treasuries move in line with the dollar

By Lisa Branstetter in New York and Conrad Middelmann in London

US Treasury prices were solidly tethered to the fate of the dollar yesterday, as traders took advantage of price movements in bonds to cover short positions.

At midday the benchmark 30-year Treasury was up 1/8 at 102 1/4 to yield 7.394 per cent. At the short end of the market, the two-year note was unchanged at 100 1/4, yielding 6.663 per cent.

Early in the day, bonds fell as the dollar retreated from late Monday levels against the D-Mark and the yen. By late morning, however, prices turned positive as the dollar approached its Monday lows against the yen and pushed higher against the D-Mark.

Near midday, the dollar was changing hands at \$98.26 and DM1.4145 against \$98.31 and DM1.4030 late on Monday.

Analysis attributed some of the increases in the bond market to traders covering short positions while prices were lower.

For most of last week, the market ignored the currency market and continued to rally despite the weakness in the dollar, which usually has the effect of decreasing foreign demand for US securities.

This week, however, there is little economic data for traders to watch, so more attention has been focused on the dollar. Although the Federal Reserve's Open Market Committee will meet next Tuesday, little attention has been focused on the meeting because there is little discussion from the consensus that the central bank will not change monetary policy.

European government bonds had another quiet day, reflecting relative calm on the currency markets.

Italy was the best performer, with bonds rising nearly 1/4 points on the back of a firmer lira and the latest set of inflation data.

The City of Bologna released data indicating that consumer prices increased by 4.8 to 4.9 per cent on the year. Although the numbers were in line with most market expectations, they cheered those who had forecast a stronger rise.

GOVERNMENT BONDS

The Italian market got another boost when Mr Silvio Berlusconi's party, Forza Italia, withdrew most of its opposition to Prime Minister Romano Prodi's mini-budget in the Senate, where the package is awaiting final approval.

Also propelling prices higher was the BTP futures contract's breach of several key technical resistance points.

The June contract ended the day at \$3.75, up 1.44. The yield spread of the 10-year Italian benchmark bond over its German counterpart narrowed by 26 basis points to 834 points.

UK gilts were boosted by sterling's continued recovery against the D-Mark, but dealers said flows were thin and that investors were on the sidelines waiting for the result of last night's House of Commons vote on the European Union's Common Agricultural Policy.

As expected, the Bank of England announced that next week's auction will be for £2bn of the 8 per cent gilt due 2015. The June long gilt futures contract on Life rose 1/8 to 103 1/4.

The Bundesbank published the government's issuance calendar for the second quarter, which features one 10-year bond and one four-year note, both of which are to be issued in May.

Bonn's decision not to issue more five-year notes before the expiry of the June Bobl future triggered a squeeze in the medium-term market.

"The decision to issue a four-year bond rather than a five-year bond in May is a negative factor in terms of market liquidity," said Mr Karl Haefling, head of Deutsche Bank's futures and options group.

Mr Haefling warned that the lack of a predictable auction schedule from the German government risks alienating investors, particularly those from abroad.

Moreover, "there is a danger that the Bobl contract will see a reduced status as a benchmark of the five-year sector," he said.

Romania returns after 15-year self-imposed exile

By Antonia Sharpe

After a self-imposed exile of 15 years, Romania is returning to the international capital market with a syndicated loan of \$75m. The one-year loan, which is being arranged by Citibank, marks an important step in the country's quest to become a free-market economy after decades of communist rule.

Mr Vlad Stancu, deputy governor of the National Bank of Romania, the country's central bank, and yesterday that the main aim of the loan was to allow Romania to regain access to the international capital markets.

"I believe that the Romanian banking system and the country in general have paid for the financial errors made in the early 1980s," Mr Stancu said by telephone from Bucharest. "We want to become once again a partner in the international credit community."

In 1981, Romania was unable to finance a roll-over loan, which forced it into a general default on its foreign debt. Although the debt was rescheduled, the government, then under the control of the communist dictator Nicolae Ceausescu, repaid the entire debt in advance and then closed its doors to foreign capital.

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SYNDICATED LOANS

In recent years, however, Romania has borrowed money from the International Monetary Fund, the World Bank, the European Union and the Group of 24 leading industrial countries. Its outstanding debt to these lenders stands at about \$4bn.

Citibank officials said Romania did not need to borrow more money but it wanted to use the loan to establish a track record with western banks. "Romania is ready to come

to market," said Mr David Garner, Citibank's regional business manager for central and eastern Europe. "It is taking the necessary steps to change from a command economy to a market economy and it wants to be seen to be developing into a serious player."

Romania is likely to pay an interest margin of around 275 basis points over the London interbank offered rate (Libor) on the loan, which Citibank will start syndicating today.

Citibank officials reported widespread interest in the deal, which they said reflected the current drive among commercial banks to find new credits.

The proceeds of the loan will be used to boost Romania's foreign exchange reserves. The country is also believed to be close to appointing a bank to assist it through the process of getting an international credit rating. An official rating would greatly enhance Romania's attraction to international investors.

Securitized issue in sterling from Kuwait bank

By Antonia Sharpe

The United Bank of Kuwait raised £108.8m yesterday through an offering of bonds backed by the bank's commercial property loans in the UK.

Lead manager Goldman Sachs said this was the first securitisation by UKB and that it followed a similar deal by Bristol & West, the UK building society, last December.

INTERNATIONAL BONDS

The bulk of UKB's offering - £91.4m worth - was made up of bonds with a triple A rating issued via a special-purpose vehicle called Ares. They were sold to about a dozen UK accounts, Goldman said. The bonds were trading at their fixed re-offer price of 99.90 in the late afternoon.

Securitisation - which enables banks to free up capital - has been slow to take on in the UK but the larger clearing banks are thought to be interested in securitising their commercial property loans in the near future.

Elsewhere, the Kingdom of Belgium raised \$2.5bn through its first public offering in the Swiss bond market. Previously, legal constraints meant that Belgium was limited to private placements.

The seven-year bonds were trading at less 2.40, less 2.20, within fees, in the late afternoon. Belgium is also believed to be considering a D-Mark eurobond issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Fee	Spread	Book number
US DOLLARS							
Commerzbank Overseas Fin. (a)	200	7.125	98.875	Apr 1999	0.0225	-	Commerzbank
STERLING							
Acres No.101st	61.4	(a)	98.80	Mar 2005	0.0375	-	Goldman Sachs Int.
Acres No.101st	12	(a)	98.83	May 2005	0.03	-	Goldman Sachs Int.
SWISS FRANC							
Kingdom of Belgium	200	5.25	102.675	May 2002	2.50	-	Credit Suisse
ITALIAN LIRE							
European Lir. (Bank)	500bn	10.80	97.84	Mar 1999	1.50	-	BCVBNLJPM/San Paolo
European Lir. (Bank)	250bn	12.00	100.775	Oct 1997	1.575	-	SPC

Final terms, non-callable unless stated. Yield spread over relevant government bond at launch supplied by lead manager. *Unrated. \$Convertible. @With equity warrants. †Floating-rate note. \$8m annual coupon. R: fixed re-offer price; less shown at re-offer level. a) Long first coupon. b) Tranche A of \$100m deal. Collateral on every payment day at par price principal amount outstanding has been lowered to 100%. Coupon pays 3-month Libor + 20bp. c) Tranche B (Mezzanine Notes) of £103.4m deal. Call conditional on Tranche A being called. Coupon pays 3-month Libor + 90bp.

ing to 21 basis points over the interpolated yield curve from 15 basis points.

Commerzbank, which led the issue itself, said trading started in the high teens to deter syndicate members from immediately selling back the bonds.

However, the spread was expected to stabilize in the coming days. The bonds are aimed at German retail investors who believe that the dollar is overvalued.

Investec Bank, South Africa's sixth largest bank in

terms of assets, has set up a \$150m eurocommercial paper programme. Arranger and sole dealer Citibank said the programme was the first for a South African borrower. Investec is likely to pay interest of 50 to 60 basis points over Libor.

CBOt to launch 'green' board

By Laurie Morse in Chicago

The Chicago Board of Trade expects to launch an electronic bulletin board for trading recyclable commodities late this year.

The Recycling Partnership, one of several CBOt experiments with green markets, received a \$300,000 grant this week from the US Environmental Protection Agency to support the initiative. The group first announced plans for a centralised cash market in recyclables last year.

The CBOt is seeking to build a transparent cash market in recyclable commodities as a precursor to futures and options markets in the products, which include glass, aluminium and plastic.

The Recycling Partnership also includes the National Recycling Coalition's Recycling Advisory Council, the Clean Washington Center, and the New York State Office of Recycling Market Development.

With rapid growth of recycling programmes in the last decade, sellers have been trying to find reliable markets for their materials, while manufacturers which have made major investments to use recycled materials are struggling to find consistent high-quality supplies to feed their factories.

The Recycling Partnership seeks to create a central marketplace to bring these buyers and sellers together. In another green market programme, the CBOt will host

the third annual clean air allowance auction in Chicago on March 27.

In this year's auction, which the CBOt conducts for the EPA, 22,306 sulphur dioxide emissions permits will be offered for sale by private utilities. They will only be sold if prices reach reserve levels designated by the utilities.

Another 175,000 emission allowances will be sold directly by the EPA. These do not have reserve prices and will be sold to the highest bidder.

At a similar auction held in 1994, the government-offered allowances sold for as low as \$150 each. At that auction, none of the privately-offered allowances were sold because prices did not move above reserve bid levels.

WORLD BOND PRICES

	Coupon	Red	Day's	Yield	Week	Month
		date	change	ago	ago	ago
Australia	9.000	09/04	92.9700	-0.170	10.10	10.10
Austria	7.500	01/05	100.5700	-0.130	7.41	7.56
Belgium	7.750	10/04	98.1300	-0.280	8.03	8.15
Canada	9.000	12/04	102.0500	-0.050	8.56	8.57
Denmark	7.000	12/04	97.7200	-0.020	8.59	8.57
France	6.000	05/09	101.0900	-0.050	7.59	7.57
Germany	7.500	04/05	97.2400	-0.240	7.88	8.02
Italy	7.250	01/05	101.5700	-0.040	7.14	7.27
Japan	6.250	10/04	93.0000	-0.050	8.81	8.79
Netherlands	4.800	01/05	100.2600	-0.580	13.10	11.85
Portugal	8.000	02/05	104.4100	-0.020	3.98	4.10
Spain	7.500	03/05	103.0000	-0.180	7.31	7.42
Sweden	11.875	02/05	99.3000	-0.050	11.99	11.82
Switzerland	10.000	02/05	98.8600	-0.170	8.42	8.47
UK Gilts	6.000	08/09	91.20	+0.32	8.33	8.44
US Treasury	8.500	12/05	100.20	+0.42	8.41	8.53
US Treasury	9.000	10/06	104.21	+0.22	8.42	8.47
US Treasury	7.500	02/05	102.21	+0.32	7.12	7.12
US Treasury	7.000	02/05	102.27	+0.32	7.39	7.40
ECU (French Govt)	6.000	04/04	95.0000	-0.430	8.41	8.54

London clearing, New York mid-day. † Gross (including withholding tax at 15.5 per cent payable by nonresidents). Prices US, UK in \$/£, others in cents. Source: M&S International

US INTEREST RATES

	One month	Two year	Three year	Five year	Seven year	10 year	30 year
Prime rate	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Bank loan rate	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Federal funds rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Fed funds at interbank	5.50	5.50	5.50	5.50	5.50	5.50	5.50

BOND FUTURES AND OPTIONS

	Open	Sett	Change	High	Low	Est. vol.	Open int.
Jun	112.32	112.70	+0.54	112.82	112.30	145,764	119,017
Jul	112.06	112.38	+0.50	112.38	112.04	563	5,962
Dec	111.96	111.96	+0.18	111.96	111.86	2	1,539

US TREASURY BOND FUTURES (MATF) \$100,000 face value of 100%

	Open	Sett	Change	High	Low	Est. vol.	Open int.
Jun	82.00	82.28	+0.42	82.36	82.00	2,343	8,283

Germany

	Open	Sett	Change	High	Low	Est. vol.	Open int.
Jun	92.11	92.23	+0.19	92.36	92.05	17,081	18,055
Jul	91.85	91.73	-0.19	91.85	91.81	195	2,128

UK GILTS PRICES

1994/95									
Notes		Yield		Price £ + or -		High		Low	
Notes	Int	Red	Price £ + or -	High	Low	Notes	Int	Red	Price £ + or -

MARKETS REPORT

Sterling shakes off departure of Pennant-Rea

Sterling showed no response yesterday to the resignation of Mr Rupert Pennant-Rea, deputy governor of the Bank of England, writes Philip Gault.

The announcement coincided with a rally in the dollar and any negative impact. The news was also largely in the price anyway, following weekend press revelations.

Helped by the firmer dollar, sterling finished in London at DM2.232, from DM2.2105, and at \$1.582, from \$1.562. Later, it was trading around DM2.24, more than five pence above the historic low of DM2.190 reached last Thursday.

Otherwise, the feature of the markets was a sharp bout of profit-taking on the D-Mark, which saw it lose ground across the board. In Europe the most conspicuous winner was the lira, which closed at L1,205, up from L1,240. Other weak currencies like the Swedish krona, the peseta and the escudo also made solid gains.

The dollar also finished firmer against the D-Mark, closing at DM1.4125 from DM1.3973. Earlier it had sunk to a fresh low against the yen of Y88.35 before recovering to finish at Y89.25.

The dollar's recovery was helped by the Bank of Japan scotching a rumour that it would be able to accept the dollar target in the Y82 range. Overall, markets were very quiet, with traders reporting a stalemate situation. A bad set of trade figures in the US today could be the trigger for a further fall in the dollar.

The main reason why markets remain pessimistic about the dollar while maintaining faith in the D-Mark, is that there has been no change in the policy, politics or economics which caused these moves in the first place.

What has been lacking in policy changes, however, has been more than made up for in the form of "verbal intervention". Leading the charge again was Mr Hans Tietmeyer, president of the Bundesbank. Speaking at the end of the Franco-German economic summit in Paris, he reiterated his recent message that the dollar was undervalued in relation to fundamentals.

He also said that EMS currencies were undervalued, and should return closer to their central rates.

He went out of his way to stress that the French franc would not fall to its lower intervention level, of FF4.89 against the D-Mark.

Mr Tietmeyer said the criteria for economic and monetary union had to be met, but sounded more emphatic than of late when he added that they need not "necessarily" be

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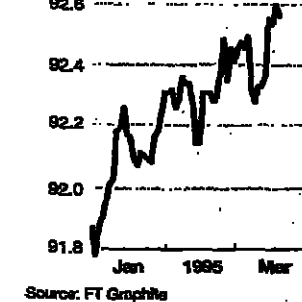
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Short sterling

June '95 Future contract, bid price



Source: FT Graphix

observer as "a bit of an extended reversal in the volatile move to the upside." The fact that it was largely confined to market professionals suggests it represents a correction, rather than a turnaround, to the trend.

The currencies that benefited most were those that had been weakest in the first place. The general move to take profits did not appear to be related to the flurry of comments about the dollar being undervalued.

Mr Malcolm Barr, international economist at Chemical Bank in London, said it was "suspicious" that Bundesbank officials should suddenly be on the screens every day, telling exactly the same story. He surmised that while the Bundesbank was anxious to be a "good European", it would not make decisions which were inconsistent with domestic economic realities.

A cut in interest rates, which would help relieve currency market tensions, was thus off

the agenda so long as there remained evidence of wage pressures, even if there was evidence of the strong D-Mark hurting German exporters.

The Bundesbank was thus left with the weapon of verbal intervention as a proxy for what the market would really like to hear: that the Bundesbank favours a weaker D-Mark, or plans to cut interest rates.

The Bank of England provided \$680m late assistance, and \$110m at established rates, after forecasting a \$850m money market shortage. Cash market rates remained easy, while short sterling futures continued their rebound from the bearish sentiment at the end of last week.

OTHER CURRENCIES

March 21

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WORLD INTEREST RATES

MONEY RATES								
March 21	Over night	One month	Three months	Six months	One year	Long term	Dis. rate	Repo rate
Belgium	6%	6%	6%	6%	6%	7.40	4.50	-
week ago	6%	6%	6%	6%	6%	7.40	4.50	-
France	7%	8%	8%	8%	7%	5.00	-	8.00
week ago	7%	8%	8%	8%	7%	5.00	-	8.00
Germany	4.50	4.55	5.00	5.15	5.45	8.00	4.50	4.85
week ago	4.83	4.95	5.05	5.15	5.25	8.00	4.50	4.85
Ireland	5%	6%	7	7	7	-	-	6.25
week ago	5%	6%	7	7	7	-	-	6.25
Italy	10%	11%	11%	12%	13%	7.50	7.50	10.40
week ago	9%	11%	10%	11%	11%	-	-	10.10
Netherlands	4.87	5.02	5.11	5.25	5.80	-	-	5.55
week ago	4.50	4.50	5.00	5.10	5.70	-	-	5.55
Switzerland	3%	3%	3%	3%	4%	6.625	3.60	-
week ago	3	3	3	3	4	6.625	3.60	-
UK	5%	5%	5%	5%	5%	5.25	-	5.25
week ago	5%	5%	5%	5%	5%	5.25	-	5.25
Japan	2%	2%	2%	2%	2%	-	1.75	-

~~CONFIDENTIAL~~ TRUSTS - Cont

	Notes	Price	% Chg	Open
Flamingo Fire Fund		303	+1	292
Flamingo Fund		94	+1	92
Flamingo High Inc. 4-11		94 1/2	+2	120
Warrants		7		105 1/2
Flamingo Indian, 4-11		73	-1	105 1/2
Warrants		42		105 1/2
Flamingo Japan, 5-11		220		105 1/2
Warrants		21	+2	105 1/2
Flamingo Marine, 5-11	254 1/2	15		347
Warrants		6		94
Repeating Musical Instr.		7		17
Warrants		6		105 1/2
Flamingo Divers, 5-11		201 1/2		347 1/2
Foreign & Col. 4-11		201 1/2	+1	125 1/2
For & Col Empry Mkt. 4-11		101 1/2	+1	146
Warrants		42		80
Flamingo Corp. Lb 10-10	5140 1/2			2222 1/2
For & Col Empr. 4-11		72 1/2	+1	77
For & Col Euro 4-11		217	+2	145

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713	8.4	118.4	0.3
26	8.7	-	-
80	8.2	80.4	-3.1
74	3.7	25.8	14.1
6	-	-	-
171	2.7	189.7	7.2
56	3.5	78.4	24.4
177	1.3	238.8	17.9
62	-	-	-
22	0.4	151.5	5.8
15	-	-	-
217	-	-	-
93	2.6	257.2	14.3
98	-	100.2	5.2
108	4.8	110.9	0.8
31	-	31.0	-10.0
60	2.9	208.9	17.8
130	1.0	75.0	20.0
8	-	-	-
205	3.4	242.0	7.2

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible][illegible]

GUERNSEY (REGULATED)()**

[illegible]

Lazard Corp. Genl. Bond	337.35	338.48	5.15
Lazard Fr. Ind. Bond	327.50	328.58	8.20
Lazard Fr. Ind. Bond	337.25	338.44	-
Lazard International Bond	367.18	37.86	-
		+1.85	

[illegible][illegible]GT Asset Management - Confidential
GT Australia A - 2014-2015 2/14-24[illegible]

IRELAND (REGULATED)

	Selling Price	Buy Price
AIB Fund Management Ltd		
Asian Gateway Fd plc	58.703	
Asset Return Fd Ltd	\$11.059	
Dragon Korea	88.928	
Emerging Market Growth Fd Plc	55.586	

to 0.41	Frank Russell Investments (Ireland) Ltd (IS Emv)	37	10.13	—
---------	--	----	-------	---

[illegible]

Stellar Ford Plc			
NEW	\$4.79	+0.98	
Ulster Bank Investment Services			

West-Kortz Fd Plc	\$12.15	12.35	
Rabobank Liquidity	£1.0000		+0.0002
European High Income	100	122.4718	+203.4
Global Bond	5	1404.8162	+78.082
Prudent Growth		\$1005.37	
Value Express Fund Plc			
Nov	\$8.33		-0.25
Yellow Sea Investment Company PLC			

Quilter (UK) Agency (Holdings) Ltd
Quilter International Ltd. | EG-3414-9

[illegible]

European	3	171.2
Pan American	5	442.0
Interd. Equity	5	94.8
Total Gen. Fund Ltd		
Shareholder Withdrawal	17	1,025.0

JERSEY (REGULATED)

— - Lombard Odier (Jersey) Ltd
Fixed Income Funds

[illegible]

5.23	0.77	10.00	IPB Emerging Markets	\$11.01
5.38	0.77	10.00	IPB Europe	\$11.28
9.88	0.77	10.00	IPB Japan	\$27.42
			IPB Pacific Rim	\$29.31
5.15	0.77	10.00	IPB USA	\$29.31

7.16	\$18.76	FB Limited Kingdom —	\$12.51
3.24	17.94	FB Limited States —	\$24.76
		FB Hedge/Gold Br Sm.	\$20.38
		FB Hedge Global Br Sm.	\$10.42
		FB Hedge Global Br Ffr.	\$100.25
Barclays Inst Funds (Luxembourg)			
26 Place de la Gare, L-1518			
		Equity Funds	
		European Equity F. S-I	\$7.164

Disa Income Fund

[illegible]

Starling Board	\$18.08	19.1
Starling Board	\$10.15	10.1
Starling Board	\$2.08	2.1

Hypo Foreign & Colonial Port Fd S	
Exchange Hst, Princeton St EC24 3HT	
Am Smk Co E	\$25.05
Japanese Eqty Port	1887
Europ Eqty Port	Equl 2.43
World Eqty	Equl 3.26
Amr Eqty Portfolio	\$22.50
Asian Eqty Portfolio	\$21.73
Med Eqty	Equl 4.73

4045-481
— 13.85

[illegible]

7.11	Growth Funds			
5.78	American Equity	\$8.26	+0.02	0.00
	Asia Funds	\$19.14	-0.01	0.00

1000	Australian Equity	A\$5.56	+0.05	1.80
1000	European Equity	\$10.22	0.00	0.00
1000	Japanese Equity	\$3.35	-0.01	0.00
1000	UK Equity	£7.80	+0.08	7.33
1000	Income and Growth Funds			
1000	American Inc & Gwth	\$9.37	+0.02	2.48
1000	European Inc & Gwth	\$7.47	-0.01	1.60
1000	Latin American Inc & Gwth	\$3.68	-0.03	8.86
1000	Pac Basin Inc & Gwth	\$5.18	-0.02	0.00

...and the

[illegible][illegible]

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FINANCIAL TIMES
Frankfurt Edition

Continued on next page

NASDAQ NATIONAL MARKET

4 pm close March 2

[illegible]

29	-1 1/2	Harding A	18	89	6	5 5/8	5 5/8	Neaport Cp	0.04	18	1406	42 1/8	8 1/4	8 5/8	+ 3/8
29	-1 1/2	Harding B	20	87	7	5 1/2	5 1/2	Mobile Cr	52	1728	6 1/4	5 3/4	5 3/4	- 7/8	

$$3 \quad 56^{1/2} \quad 58^{1/2} \quad 59^{1/2} \quad +$$
[illegible]

Financial Times. World Business Newspaper.

[illegible]

AMERICA

Dow pushes higher into peak territory

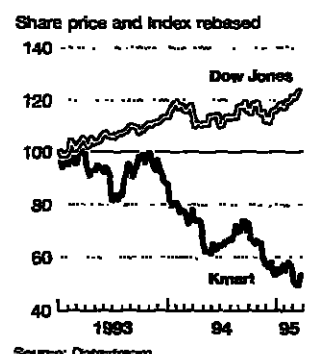
Wall Street

US shares added to Monday's gains yesterday morning to move deeper into record territory as the dollar stabilised against the Japanese yen and pushed ahead against the D-Mark, writes Lisa Branstetter in New York.

By 1pm the Dow Jones Industrial Average was 11.41 higher at 4,095.09. The Standard & Poor's 500 increased by 1.58 to 497.72 and the American Stock Exchange composite gained 0.28 at 456.46. The Nasdaq composite moved up 2.43 to 312.92. Trading volume on the New York Stock Exchange came to 207m shares.

Less than a month after the Dow surged through the 4,000

Kmart



point mark, the index is less than 5 points from 4,100 and investors are already looking to the more important 4,500 level. There is little in the way of economic data due this week that could throw off the market's bullish tone and few expect the Federal Reserve to raise interest rates next week at its open market committee meeting.

Helping yesterday's market was a stable dollar, which contributed to increasing prices in the bond market.

The equity market was pleased by news that Mr Joseph Antouni would resign as president and chief executive of Kmart. Shares in the company jumped \$1 or 8.4 per cent to \$12.40, on the news.

The technology sector was strong once again yesterday led by a near 3 per cent increase in the value of Micron Technology. Micron hit a 52-week high as investors predicted strong demand for the computer chip company's main product, dynamic random

access memory chips, or DRAMs. Shares in the company increased 2% at \$76.

The Pacific Stock Exchange technology index also outperformed the broader indices, rising by more than 0.8 per cent, in part because of figures from a consulting group that forecast global shipments of computer workstations up 25 per cent last year over 1993. Compaq Computer rose 5% at \$337, Hewlett-Packard increased 3% at \$123.4 and Apple Computer was 4% higher at \$36.

Loral gained 1% at \$44 on news that it would buy the defense business from Unisys for \$62m. Unisys lost 1% at \$8 on the news.

Airborne Freight lost more than 7 per cent of its value, falling 1% at \$19.4 after the company warned that first quarter earnings were likely to be below analysts' expectations because of a decline in the company's revenue per shipment.

Cincinnati Microwave lost ground after reporting that it expected bigger losses in the first quarter than had been anticipated earlier. Shares dropped 2% at \$10, or 11 per cent.

Norand shed 5% at \$35.4 as investors took profits. Late on Monday, the maker of inventory data systems reported second quarter earnings greater than those for the same time last year, but in line with analysts' expectations. Since the beginning of last week the shares had risen 3%.

E.W. Scripps hit a 52-week high, adding 1% at \$32.4 after reports that the communications company was considering the sale of its cable systems which could bring the company as much as \$1.35bn.

Canada

Toronto saw a major jump in Cominco, the fertilizer producer, as the general market edged higher at midday, with the TSE 300 composite index 0.87 firmer at 4,250.65 in volume of 33.3m shares.

Cominco rose 3% to a new 1995 high of C\$41.14 as it announced that it was planning to back up to 1.1m, or 5 per cent, of its shares. Brokers said that the sector was experiencing buoyant conditions, with global demand for fertilizer in 1995 expected to outpace last year and companies generating a lot of additional cash flow.

EUROPE

Senior bourses turn back after early strength

Renewed weakness in the dollar left most senior bourses unable to sustain earlier gains, writes Our Markets Staff.

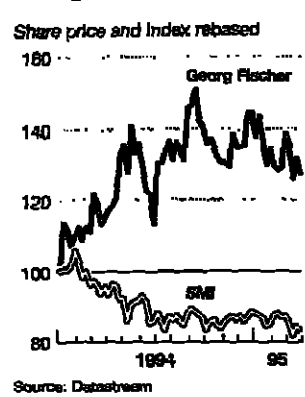
ZURICH turned back from a firm opening as the weak dollar and Wall Street's lower start weighed on a thin market. The SMI index receded 10.5 to 2,506.5.

Georg Fischer initially jumped Sfr35 to Sfr1,500 in response to its return to profit in 1994 and the first dividend payment for three years. But the shares subsequently encountered profit-taking in a thin market, on a reassessment of the impact of the strong Swiss franc on the foundries and engineering group's business, and it closed Sfr155 or 3.8 per cent lower at Sfr1,410.

Ares Sero, the pharmaceuticals group, dropped Sfr30 or 4.6 per cent to Sfr625 in response to a worse than expected 51 per cent fall in 1994 net earnings. Mrs Birgit Kulhoff at UBS, who downgraded the stock to a trading sell, commented that the company, which calculates its results in US dollars, had suffered from currency depreciation in Italy and Spain, two of its major markets, as well as from the strength of the Swiss franc.

FRANKFURT threatened its

Georg Fischer



1995 lows, bottoming with the Dax index at 1,973.95 before closing the afternoon at 1,984.15, down 0.84, after topping 2,000 in both session and this trading.

Turnover rose from DM5.1bn to DM5.8bn. Thyssen dropped DM5 to DM257 on Monday's news that Nucor, a US company, is substantially lowering its steel prices. Meanwhile, Lufthansa ignored overnight strength in US airlines, falling another DM3.50 to DM178 on a Goldman Sachs downgrade.

In a more conventional currency-related move, MAN, the truckmaker and engineer,

retreated a further DM6.50 to DM344, down nearly 16 per cent this month against a Dax fall of 5.4 per cent. Mr Chris Hemmings, an engineering analyst at Lehman Brothers, said MAN had been substantially overvalued for some time, and that it had been weakened by D-Mark strength and its reliance on German production facilities.

Outside the Dax index, construction stocks were weak. Philipp Holzmann falling DM35 to DM680. Professionals said the post-unification boom in orders was over.

PARIS continued to make upward progress, a firm bond market offsetting doubts about the franc and the political outlook ahead of the upcoming presidential elections. The CAC-40 index closed 2.21 higher at 1,813.78 in turnover of FF9.87bn.

Retailers remained a feature, with the sector leader, Carrefour, again at the head of the activity charts. Recent top of the range results from the retail trade have underpinned most of the buying. Carrefour closed at FF2,320, up FF226.

Total moved forward FF2.80 to FF2,712.20 as analysts digested the implications of the oil company's big Yemen gas

FTSE AGUARDING SHARE INDICES

		THE EUROPEAN SERIES									
		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FTSE 100	1253.07	1251.50	1251.04	1250.85	1249.30	1248.85	1248.27	1248.09		Mar 21	
FTSE 200	1361.30	1360.88	1361.27	1360.07	1359.05	1358.40	1358.00	1358.02		Mar 21	

		Mar 20	Mar 17	Mar 16	Mar 15	Mar 14
FTSE 100	1244.62	1233.18	1240.54	1238.56	1242.42	
FTSE 200	1357.60	1341.85	1336.06	1332.98	1334.39	

Base 1000 (25/10/89). Hungary 100 = 1253.27, 200 = 1362.64, Luxembourg 100 = 1248.87, 200 = 1358.46, 1 Point

contract

Out of favour were the construction major Bouygues, down FF16 to FF1326 as police raided the embattled group's headquarters, and the foods group St Louis, which weakened FF47 to FF1,416.

Credit Lyonnais investment certificates saw another sharp fall as investors continued to offload in the wake of Friday's rescue package. The certificates lost FF18.90 at FF217.50. Thomson-CSF, which holds almost 15 per cent of the bank, shed FF1.30 to FF130.20.

MILAN rose strongly as the lira recovered and investors welcomed the government's decision to call last night's confidence vote in the senate to speed the passage of the mini-budget. The Comit index rose 7.08 to 558.38, while the real-time Mibtel index was 247 or

2.9 per cent higher at 9,673.

Telecom Italia jumped L217 to L4,025 in response to its 1994 results and plans to sell off its mobile telephone division. Stet was L184 firmer at L444.

Ambroveneto advanced L185 to L5,358 before announcing flat 1994 results after the market closed. Ferruzzi climbed L52 to L1,016 and Montedison was L56 ahead at L1,112 in a technical bounce after their recent losses.

COPENHAGEN traded in below average volume for the fourth day in a row, with the KFX index rising 0.17 to 82.6. The construction and chemicals group Superfos closed DK5 higher at DK400, investors concentrating on the group's upbeat forecasts for the current year. Radiometer, which has a sizeable stock overhang finally worked

its way through the system. ATHENS crossed the 800 barrier again, this time on the upgrade on speculation that the European Commission will give the green light for building the new Athens airport.

The general index moved up 12.90 or 1.6 per cent to 804.30 in turnover of Dr470m; the EC had blocked ratification of construction contracts and accused the Greek government of breaching directives in tendering major public works projects.

TEL AVIV continued to chip away at Sunday's 5.4 per cent gain, the Mishkan index falling 2.73 or 1.6 per cent to 165.00 after Monday's 2.1 per cent retreat. Dealers said there was some scepticism about the government's planned budget and income tax cuts, which prompted the central bank to lower interest rates over the weekend.

ISTANBUL stacked up its third record high in succession, the composite index closing 404.21 stronger at 35,316.33, up 21.3 per cent so far this month after a 15.4 per cent rise in January.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Karachi continues to tumble ahead of nationwide strike

Roundup

Profit-taking pressured much of the region yesterday.

KARACHI continued to tumble ahead of Saturday's nationwide strike, called by businessmen, over the government's failure to quell sectarian bloodshed.

The 100-share index finished 27.18 or 1.7 per cent weaker at 1,607.58, its lowest close for more than 16 months. It dipped well below 1,600 in early trade but clawed back on short-covering and institutional support.

More than 100 people have been killed this month and at least 340 in this year, including Tokyo, Johannesburg and Mexico were closed for holidays. Bombay was suspended for the second consecutive day, and remains closed today, amid attempts to resolve the aftermath of a payment default by the brokers R.S. Jhaveri.

Two US consulate staff who were shot dead in a rare attack on foreigners on March 8.

SEOUL was pressured lower by profit-taking on blue chips and persistent sales of low-priced issues after the recent rises, and the composite index ended 10.80 down at 946.07.

Brokers said a trading suspension in Samshin International after the small, steel furniture manufacturer defaulted on debt obligations also took its toll on the mood.

But construction shares, which had slipped sharply on apparently unfounded rumours of financial problems by several companies, gained on a technical rebound. The construction sub-index improved 4.16 to 484.37.

HONG KONG edged down as profit-taking erased morning gains, and the Hang Seng index closed 14.12 softer at 8,580.31 after an intraday high of 8,659.

SINGAPORE eased on a day dominated by worries about the outlook for interest rates.

The Straits Times Industrial index lost 2.47 at 2,089.07.

KUALA LUMPUR also declined on interest rate concern and the composite index shed 4.61 to 964.84. Brokers said investors were also cautious ahead of Bank Negara's 1994 annual report next week.

Amalgamated Industrial Steel surged 60 cents to M\$7.65 on continued speculation about a timber deal, while Technology Resources fell 35 cents to M\$7.00 on rumours that its 1994 profits would be lower than had been expected.

SYDNEY ended at its best level of the day after a 10.2 points rally in the All Ordinaries index to 1,914.7. Dealers said the upturn was fuelled mostly by foreign demand, as offshore investors hunted for bargains on the back of the weak Australian dollar.

The local currency slipped back to 72.5 cents to the US dollar and sparked good two-way trading in leading equities. BHP, down 12 cents on Monday, rebounded 14 cents to finish at A\$18.82.

TAIPEI was hit by modest profit-taking towards the close of trading. The main index ended at 6,524.87, more than 60 points short of its best of the session and 16.71 down on the day. Volume was dull, with the market still uncertain about central bank direction. The wave of selling late in the day was mostly sparked by fears for policy tightening by the central bank. Electronics shares were among the worst performers, with Tatung and Acer both slipping T\$30 to T\$900.5 and T\$86.5 respectively.

JAKARTA ticked over gently in moderate volume and although falls outnumbered rises the official index closed marginally - 0.25 points - higher at 427.19. Features were thin on the ground. A note from Salomon Brothers highlighting good value in Indosat failed to tempt the buyers.

COLOMBO's all-share index declined 6.86 to 653.50 for a second day, as worries about the volume came to SL\$43m.

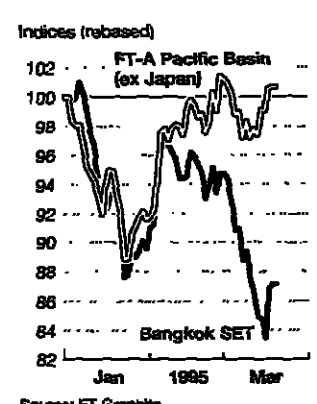
Bangkok moves to prop up market

William Barnes finds critics of a Bt20bn investment fund

An attempt by the 41 members of the Stock Exchange of Thailand to prop up the ailing local market by chipping into an open-ended Bt20bn investment fund appears self-serving to many Bangkok-based observers, writes William Barnes in Bangkok.

The fund, to be established within a fortnight, is intended to lift share prices which could be near the bottom of a slide that has trimmed the market's value by 15 per cent since the beginning of the year. Yesterday the SET index dipped just 0.71 to 1,184.11 as sellers emerged when the market edged forward to a day's high of 1,190.24.

"The fund will target companies with good fundamentals to encourage other investors to



Source: FT Graphics

commercial banks and mutual fund groups will be expected to contribute Bt5bn to the fund.

However, even optimistic brokers doubt that the Bangkok market will recover sharply in the near future after suffering from, essentially, a drain of liquidity, although the underlying economy continues to grow strongly at more than 8 per cent a year.

Some cynics have pointed out that in making this move, the full members of the exchange have given themselves an excuse to pick up bargains at a time when the market's price/earnings ratio is 14 times - from which it has historically rebounded.

"It is very good of the stock brokers to be so public spirited, particularly when they are likely to make so much

money out of it," said Mr Graham Gatterwell, the country representative for Crosby Research. The central bank had already initiated a cut in initial margin requirements from 50 per cent to 40 per cent from March 15 which was designed to boost liquidity and the stock market.

This, like an earlier cut in the forced sale margin from 25 per cent to 15 per cent, was taken in spite of the bank's fears that credit growth was running way ahead of its 1995 target of 34 per cent growth. The director of one small broker complained about being forced to borrow money to prop up the market: "This is not prudent - it is just that the brokers want to be seen to be doing something to help their clients who are suffering."

Brazil jumps 5.6% on Arida's testimony

Brazilian shares traded 5.6 per cent higher at midday after Mr Persio Arida, the central bank president, denied that any information had been leaked before the introduction of Brazil's new foreign exchange rate policy two weeks ago.

The Bovespa index was up 1,622 to 30,323 points at 1pm in light turnover of R\$103.6m (\$115.2m).

Mr Arida told the Senate Economic Affairs Committee that allegations that he had given banker friends advance information on the policy changes were "absolutely unfounded". He claimed that the allegations were aimed at damaging his reputation and complicating the process of economic stabilisation.

Analysts expected that the testimony would calm the country's financial markets, rattled last week by rumours that Mr Arida and Mr Gustavo Franco, the central bank's international affairs director, would resign.

However, dealers were cautious about predicting any short term upturn in equity prices, noting that the market remained very volatile as a result of the lack of fresh money flowing in.

Telebras, the state telecoms company, saw its preferred jump 3.3 per cent to R\$24.49. Preferred stock in Vale do Rio Doce, the mining giant, was quoted at R\$210, up 5 per cent. Petrobras, the oil monopoly, rose 4.6 per cent to R\$68.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		MONDAY MARCH 20 1995										FRIDAY MARCH 17 1995										DOLLAR INDEX			
Figures in parentheses show number of lots of stock		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg	Gross Div. Yield	US Dollar Index	Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year Ago								
Australia (98)	158.93	-0.2	148.88	90.41	118.18	145.52	-1.0	4.06	163.45	152.93	92.24	117.82	148.81	180.82	180.82	167.95	174.45								
Austria (18)	189.37	-1.5	177.48	107.04	137.56	137.54	-0.7	1.18	198.28	178.96	108.50	136.60	138.06	198.69	167.95	167.95	184.58								
Belgium (38)	180.38	-0.3	169.02	101.95	131.02	128.34	-0.4	4.18	188.28	182.37	102.13	136.67	137.87	180.87	161.53	168.28	198.28								
Brazil (28)	107.35	-2.2	100.60	90.98	77.98	176.72	-2.7	1.66	112.04	105.86	63.23	80.39	80.39	107.35	107.35	107.35	107.35								
Canada (102)	131.35	1.1	128.10	74.25	95.42	134.07	0.5	2.61	129.95	121.63	73.34	90.87	133.39	141.21	120.54	120.54	120.54								
Denmark (33)	261.88	-0.3	245.42	148.03	190.24	199.82	-0.1	1.56	262.73	245.98	94.80	138.43	199.80	270.23	236.61	265.08	265.08								
Finland (24)	188.79	-0.7	174.11	108.02	134.87	170.73	0.1	1.45	188.79	188.79	188.79	188.79	188.79	188.79	188.79	188.79	188.79								
France (101)	170.49	0.8	158.77	96.37	123.85	153.13	1.2	3.27	162.22	158.29	95.30	140.08	170.49	201.41	133.88	147.48	147.48								
Germany (58)	140.08	-1.4	130.72	84.28	105.31	108.21	-0.7	2.03	151.24	145.55	85.35	108.02	109.02	156.41	132.08	136.41	136.41								
Hong Kong (54)	347.85	0.8	325.80	196.51	282.55	345.05	0.8	3.85	345.84	323.51	180.25	149.19	343.07	415.62	277.40	370.00	370.00								
Ireland (16)	204.98	0.3	193.95	116.98	150.35	183.95	0.1	3.50	204.98	204.98	204.98	204.98	204.98	204.98	204.98	204.98	204.98								
Italy (58)	165.81	0.8	151.67	37.20	47.81	85.17	0.5	1.85	165.81	165.81	165.81	165.81	165.81	165.81	165.81	165.81	165.81								
Japan (64)	143.87	0.4	134.84	81.21	104.37	81.21	-0.8	0.84	145.17	135.87	81.82	104.54	183.77	217.10	177.35	180.50	180.50								
Malaysia (67)	478.59	0.3	448.51	270.53	347.87	470.05	0.2	1.67	473.31	448.75	289.33	344.07	469.02	594.76	396.16	471.49	471.49								
Mexico (18)	176.09	6.5	680.48	410.44	527.48	543.04	-1.0	2.00	681.51	637.86	263.46	441.25	549.59	2414.12	673.85	673.85	673.85								
Netherlands (16)	221.72	-0.8	217.16	130.99	165.34	165.78	0.7	3.72	221.72	219.95	130.27	162.81	162.81	221.72	221.72	221.72	221.72								
New Zealand (14)	73.10	-0.6	68.51	41.32	53.10	61.14	-0.3	4.50	73.71	69.99	41.60	53.13	60.32	72.20	62.05	71.69	71.69								
Norway (23)	209.87	-0.4	196.77	118.89	152.53	178.22	0.1	2.22	210.77	197.27	118.84	153.21	178.00	219.03	177.53	201.83	201.83								
Singapore (14)	356.22	0.6	338.71	202.49	280.23	333.31	0.7	1.84	358.12	333.33	200.97	266.71	331.81	401.58	294.66	308.02	308.02								
South Africa (59)	357.87	-0.7	316.53	190.79	245.44	297.94	0.1	2.54	349.52	318.34	191.24	265.85	349.52	401.58	294.66	308.02	308.02								
Spain (28)	118.50	-0.1	118.50	71.48	91.58	123.29	-0.1	4.50	125.97	117.83	71.05	90.75	122.75	175.77	104.87	148.86	148.86								
Sweden (48)	235.44	0.2	223.45	134.76	173.32	256.67	0.8	2.12	237.28	222.99	134.27	171.51	254.77	247.40	196.20	217.62	217.62								
Switzerland (47)	178.37	-0.1	178.37	100.83	129.57	178.55	0.8	1.90	178.36	166.98	100.86	128.58	127.51	179.85	149.80	180.74	180.74								
United Kingdom (230)	159.97	0.1	160.40	113.04	147.27	187.44	0.3	2.32	160.22	162.54	74.63	88.61	208.58	208.58	181.11	191.87	191.87								
USA (511)	202.75	0.1	187.01	114.51	147.29	202.75	0.1	2.92	210.21	179.84	114.28	145.97	202.51	202.51	178.95	181.86	181.86								
Americas (950)	185.18	0.2	173.54	104.66	134.52	155.83	0.1	2.77	184.38	173.04	104.33	128.33	156.47	177.20	160.59	166.97	166.97								
Europe (718)	173.74	0.2	162.82	96.21	125.21	147.25	0.7	3.27	173.31	162.21	97.80	124.93	146.28	175.01	180.59	166.97	166.97								
Nordest (128)	230.11	-0.1	215.64	130.07	167.18	205.93	0.4	1.92	230.31	215.58	128.97	166.01	205.02	235.17	197.70	210.84	210.84								
Pacific Basin (609)	152.32	-0.9	142.74	86.10	110.66	91.43	-0.7	1.91	158.70	143.06	86.74	110.79	92.88	167.86	155.45	162.80	162.80								
Asia (18)	171.42	-0.1	167.19	97.14	121.49	158.11	-0.1	2.92	171.42	167.19	97.14	121.49	158.11	171.42	167.19	167.19	167.19								
North America (614)	198.33	-0.2	186.06	112.01	144.07	198.08	0.1	2.78	198.05	186.04	98.06	124.12	155.14	186.05	168.42	180.42	180.42								
Europe Ex. UK (619)	155.82	-0.2	145.93	89.08	114.18	124.83	0.3	2.67	155.03	148.04	89.06	114.27	124.18	155.19	144.12	160.00	160.00								
Pacific Ex. Japan (525)	236.56	-0.2	221.31	133.73	171.87	209.89	0.1	2.27	237.11	221.93	133.81	170.02	209.67	273.31	211.29	245.72	245.72								
World Ex. USA (174)	167.83	-0.2	151.37	91.21	117.24	118.84	-0.1	2.20	162.10	151.72	91.47	116.84	115.36	165.85	147.31	167.31	167.31								
World Ex. UK (2044)	171.42	-0.1	167.19	97.14	121.49	158.11	-0.1	2.92	171.42	167.19	97.14	121.49	158.11	171.42	167.19	167.19	167.19								
World Ex. Japan (1752)	191.84	0.1	175.98	105.38	139.21	170.16	0.3	2.99	191.35	175.09	107.98	137.93	170.61	175.98	175.98	175.98	175.98								
The World Index (2242)	173.93	-0.2	163.00	88.32	126.35	141.70	0.0	2.43	174.04	162.08	98.00	125.95	143.72	174.04	162.08	162.08	162.08								